

Chapter IV Program Review Items

A. Selecting Which Items to Review

The following program review items represent areas where serious deficiencies often result in significant liabilities to schools for improper use of Federal funds or cause harm to past or current students. Reviewers are not required to focus on all of these items. Rather, in conjunction with the case management process, reviewers may select any items applicable for the program review being conducted.

Also, each review item has direct links to SFA Assessment activities that can assist the school in correcting identified deficiencies on a continual basis, even after the review is closed. If reviewers find discrepancies in the review item, the SFA Assessment reference is related to that item and the school should be encouraged to complete that entire SFA Assessment. Often, the discrepancy is related to systemic problems and the SFA Assessment is designed to encourage schools to assess the entire operation related to the item in order to identify and correct the "root" of the problem. Please refer to Chapter II of this guide for further guidance regarding how the SFA Assessment can be used throughout the program review process.

By using the case management process to determine areas of deficiencies at a particular institution, it is envisioned that reviewers will be better able to

- identify the most serious deficiencies and compliance issues;
- use limited staff time and resources more productively; and
- avoid duplication of effort between ED-conducted reviews, and reviews/audits conducted by independent auditors, guaranty agencies, state entities, and accrediting agencies.

Although reviewers may choose to not review all of the program review items identified, the list is formatted to serve also as a checklist to guide reviewers on-site.

B. Conflicting Information

Reviewers should test for inconsistent or conflicting information when examining any of the review items. An institution must maintain accurate and consistent data in order to support the eligibility of each aid recipient; therefore, reviewers should identify any discrepancies in student and institutional records and ensure they are properly resolved. The following are some examples of conflicting information:

- Some schools ask the student to provide similar information on different forms. For instance, the admissions application may ask students about their employment history. Often, students report employment here, but may show no wages for the same period on their financial aid application.
- A parent's tax return reports significant interest income for four consecutive years, but the aid applications reflect minimal assets every year. (Since interest income is reported for the *prior year* and assets are reported for *the current period*, a correlation needs to be drawn over more than one year).

C. Program Review Items as Guidance

The following discussions summarize key issues associated with a review of any of the items. These summaries are not meant to be all-inclusive. For instance, if there is a serious problem with a school's satisfactory academic progress policy not specifically discussed here, continue to review the issue based on regulatory or statutory requirements. Also, the summaries do not include all possible considerations reviewers must address. For example, in examining NSLDS data to determine past financial aid history of a student, reviewers may note that financial aid was disbursed, even though NSLDS history showed the student was in default. However, reviewers must determine whether the school performed additional follow-up to show that the defaulted loan was resolved. There might be documentation in the student's file showing the student had made satisfactory arrangements to repay the defaulted loan, and was therefore an eligible student. The summaries are meant to provide guidance to reviewers, but do not replace reviewers' discretion and professional judgment.

Even if it is not listed as a review item, reviewers should not ignore a serious problem that becomes obvious in the review process, especially if it may represent potentially significant liabilities or may have affected many students adversely.

References are provided in a concise format at the end of each review item to guide reviewers to the appropriate regulatory or statutory authority. Dates are provided only for newly issued regulations. (The web version of the Guide is embedded with internet-links that connect you to the citations for easy reference.)

Although the Guide will be updated regularly, reviewers are reminded of the continuing importance of remaining current on regulatory and statutory requirements.

D. Program Review Items



1. Institutional Eligibility

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- θ 6. Fiscal Records/Audit Trail
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3. Student Eligibility

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- θ 21. Pell Calculations/Disbursements
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- θ 24. Need Analysis
- θ 25. FFEL/Direct Loan for Programs < One Year
- θ 26. FFEL/Direct Loan Amounts for Grade Level
- θ 27. Direct Loan Reporting/Reconciliation

5. Other

- θ 28. Items from Past Reviews/Audits
- θ 29. FISAP Income Grid
- θ 30. Federal Perkins Loan Due Diligence and Promissory Notes
- θ 31. Commissioned Sales
- θ 32. Clock/Credit Hour Conversion
- θ 33. Student Status Confirmation Report
- θ 34. Default Management (Entrance/Exit Counseling, Withdrawal Rate)
- θ 35. NSLDS Security Issues
- θ 36. Third Party Servicer Contract

1. REPORTING INSTITUTIONAL CHANGES TO ED GEN 2300, 9999

An institution is required to report changes to certain information relating to its Title IV eligibility. Some of these changes require ED's written approval before the institution may disburse the SFA program funds; others do not.

Changes that require ED's written approval. (The number in parentheses refers to the number of the question on the electronic application, known as the e-app.)

All Institutions:

- Change in accrediting agency (15). The institution must notify the Department when it **BEGINS ANY** change that deals with its institution-wide accreditation.
- Change in institutional structure (change in ownership and control) (18)
- Change in educational programs outside the scope of current approval (26)
- Addition of nondegree programs outside the scope of current approval (27)
- Addition of a location at which 50 percent or more of the program is offered and meets one or more of the conditions listed in 600.20(c)(1)(30)
- Change in the type of ownership (change in ownership and control) (22)
- Change in ownership that results in change in control (24)

When one of these changes occurs, an institution must notify ED by:

1. reporting the change and the date of the change to ED via the e-app within 10 calendar days of the change, and
2. as soon as the institution has received approvals for the change from its accrediting agency and state authorizing agency, it must send to ED:
 - copies of the approval for the change,
 - any required documentation, and
 - Section L of the application containing the original signature of the appropriate person.

Changes NOT requiring ED's written approval

All Institutions:

- Change to institution's name (2). As soon as it has received approvals for the change from its accrediting agency and state authorization agency, an institution must send ED copies of the approvals.
- Change of or change to the name of a CEO, president, chancellor (10)
- Change of or change to the name of the chief fiscal officer (11), financial aid officer (2)
- Change in state authorizing agency (17)
- Change course measurement (from or to clock hours or credit hours) (27)
- Address change for a principal location (29). As soon as it has received approvals for the change from its accrediting agency and state authorization agency, an institution must send the Department copies of the approvals for change.
- Address change for other locations (30). As soon as it has received approvals for the change from its accrediting agency and state authorization agency, an institution must send the Department copies of the approvals.
- Change to the institution's third-party servicers that deal with the SFA program funds (58)
- Addition of a location and does not meet conditions of 600.20(c)(1) (30)

Foreign institutions only (including foreign graduate medical institutions):

- Change to postsecondary authorization (42)
- Change to degree authorization (43)
- Change to program equivalence (44)
- Change to program criteria (45)
- Change to U.S. administrative and/or recruitment offices (46)

Foreign graduate medical institutions only:

- Change to facility at which institution provides graduate medical instruction (47)
- Change to authorizing entity (48)
- Change to approval of authorizing entity (49)
- Change to length of program (50)
- Change to programs located in the United States (51)

When one of these changes occurs, an institution must notify ED by reporting the change and the date of the change to ED via the e-app within 10 calendar days of the change. In addition, an institution must send:

- any required supporting documentation, and

- Section L of the application containing the original signature of the appropriate person.

Note that for a change requiring ED's written approval (unless otherwise noted) and for some changes that do not require ED's written approval, an institution must obtain approval from the appropriate accrediting agency and state authorizing agency.

- Institutions about to undergo a change of ownership/control may now submit a "preacquisition review" application up to 45 days prior to the change of ownership.
- Institutions that submit a materially complete application within 10 business days of the change may be eligible to receive a temporary PPA to continue to participate while CMO is reviewing the institution's application.
- Initial participation institutions that are approved for the first time receive provisional certification for one complete award year.
- Institutions approved after a change of ownership receive provisional certification for up to three years.

References:

Section 498(b), Application Form

34 CFR § 600.20 Application procedures

34 CFR § 660.21 Updating application information

34 CFR § 668.25 Contracts between an institution and a 3rd party servicer

HEA 1998, effective October 1, 1998

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 1 and Chapter 10](#)

[Dear Colleague Letter, 97-6](#)

[Electronic Application for Approval to Participate \(E-App\) \(eligcert.ed.gov\)](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

2. CAMPUS SECURITY GEN 2113

By October 1 of each year, an institution must publish and distribute its annual security report. The report must contain, at a minimum, the following information:

1. statistics for the three most recent calendar years on:
 - criminal homicide,
 - murder and non-negligent manslaughter,
 - negligent, manslaughter,
 - forcible and non-forcible sex offenses,
 - robbery,
 - aggravated assault,
 - burglary,
 - motor vehicle theft,
 - arson,
 - arrests for liquor law violations, drug law violations and illegal weapons possession,
 - persons who were not arrested but were referred for campus disciplinary action for liquor law violations, drug law violations and illegal weapons possession,
 - the crimes above by category of prejudice and any other crime involving bodily injury reported to local police agencies or to a campus security authority that shows evidence that the victim was intentionally selected based on the victim's race, gender, religion, sexual orientation, ethnicity or disability.
2. a statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus. This statement must include the institution's policies concerning its response to these reports, including:
 - policies for making timely warning reports to members of the campus community regarding the occurrence of crimes described above,
 - policies for preparing the annual disclosure of crime statistics, and
 - a list of the titles of each person or organization to whom students and employees should report the criminal offenses described above.

3. a statement of current policies concerning security of and access to campus facilities, including campus residences and security considerations used in the maintenance of campus facilities.
4. a statement of current policies concerning campus law enforcement that:
 - addresses the enforcement authority of security personnel, including their relationship with state and local police agencies and whether those security personnel have the authority to arrest individuals,
 - encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies, and
 - describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics.
5. a description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.
6. a description of institutional programs designed to inform students and employees about the prevention of crimes.
7. a statement of the policies concerning the monitoring and recording (through local police agencies) of student criminal activity at off-campus locations of student organizations recognized by the institution, including student organizations with off-campus housing facilities.
8. the policies concerning the possession, use and sale of alcoholic beverages and the enforcement of state underage drinking laws.
9. a statement of institutional policies concerning the possession, use and sale of illegal drugs and the enforcement of state and Federal drug laws.
10. a description of any drug and alcohol-abuse education programs available to students and employees, as required under Section 120(a) through (d) of the Higher Education Act.
11. a statement of policy regarding the institution's campus sexual assault prevention programs and the procedures to be followed when a sex offense occurs including:
 - a description of educational programs to promote the awareness of rape, acquaintance rape and other forcible and nonforcible sex offenses,
 - procedures a student should follow if a sex offense occurs (who to contact and how to contact them, the importance of preserving evidence for proof of a criminal offense),
 - options for the notification of appropriate law enforcement officials (including on-campus and local police) and a statement that institutional

personnel will assist the student in notifying these authorities, if requested by the student,

- availability of on and off-campus counseling, mental health, or other student services for victims of sex offenses,
- notice to students that the institution will change a victim's academic and living situations after the alleged sex offense and of the options for changes, if changes are requested by the victim and are reasonably available,
- procedures for campus disciplinary actions in cases of an alleged sex offense, including a clear statement that both the accuser and the accused:
 - are entitled to the same opportunities to have others present during a disciplinary proceeding, and
 - will be informed of the institution's final determination of any institution disciplinary proceeding with respect to the alleged sex offense and any sanction that is imposed against the accused,
 - sanctions the institution may impose following a final determination of an institution disciplinary proceeding regarding rape, acquaintance rape, or other forcible or nonforcible sex offenses.

The final regulations published on November 1, 1999, made the following changes to the requirements for an institution's annual security report:

- hate crime disclosure.
- crime by locations.
- crimes must be reported for the calendar year in which the crime was reported to a campus security authority.
- institutions are specifically prohibited from identifying the victim or the alleged perpetrator of the crime in the institution's disclosure of its crime statistics.
- institutions were required to begin collecting statistics using the new categories effective for calendar year 1999.
- Institutions are not required to include in their reported statistics crimes that are reported solely to a pastoral counselor or a professional counselor who is functioning within the scope of his or her license or certification.
- institutions may rely on statistical information supplied by local and State police agencies, as long as the institution makes a reasonable, good faith effort to obtain these statistics.
- the definition of a campus security authority is broadened, SFA Handbook, Chapter 7, page 2-202 and 668.46(a).
- institutions with a campus police or campus security department of any kind must maintain a daily, easily-understood, written crime log of any crime reported to that department that occurred on campus, in or on a non-campus building or property, on public property or within the patrol jurisdiction of the campus police or campus security department.

- daily logs must include the nature, date, time and general location of the crime and the disposition of the complaint and must be open to public inspection within two business days of the report except where
 - prohibited by law,
 - disclosure jeopardizes a victim's confidentiality, or
 - disclosure hinders the investigation.
- campus crime statistics must be categorized on the basis of where a criminal offense occurs:
 - on campus, in dormitories or other residential facilities for students on campus
 - in or on a non-campus building or property,
 - on public property, and

Each institution must annually submit the statistical section of its security report to ED. There is no requirement that an institution submit statistical information in the crime log to ED. The institution must maintain campus security records to document the information included in its annual security report.

Technical assistance to institutions in administering the campus security regulations is available from the Department's Customer Support Branch at 1-800-433-7327.

References:

HEA, § 485(f)

[34 CFR § 668.46 Student Assistance General Provisions](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 7](#)

[Dear Colleague Letter GEN-00-11](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

3. CONSUMER INFORMATION GEN 2110

Please refer to Appendix L for a helpful chart regarding consumer information requirements.

Basic Consumer Information requirements:

Subpart D of the General Provisions lists basic information about the institution and about financial aid that must be available to enrolled and prospective students. That information includes the following.

Financial Aid Information

- What need-based and non-need-based Federal financial aid is available to students
- What need-based and non-need based state and local aid program, institution aid programs and other private aid programs are available
- How students apply for aid and how eligibility is determined
- How the institution distributes aid among students
- The rights and responsibilities of student receiving aid
- How and when financial aid will be disbursed,
- The terms and conditions of any employment that is part of the financial aid package,
- The terms of, schedules for, and the necessity of loan repayment and required loan exit counseling,
- The criteria for measuring satisfactory academic progress and how a student who has failed to maintain satisfactory progress may re-establish eligibility for Federal financial aid,
- Information regarding the availability of SFA program funds for study abroad program, and
- That a student may be eligible for SFA program funds for attending a study abroad program that is approved for credit by the home institution,
- The terms and conditions under which a student receiving Federal education loans may obtain deferments while serving (a) in the Peace Corps, (b) under the Domestic Volunteer Service Act, and (c) as a volunteer for a tax exempt organization of demonstrated effectiveness in the field of community service
- Information on availability of community-service CWS jobs.

General Information about the institution

- The names of associations, agencies, and/or governmental bodies that accredit, approve, or license the institution and its programs, and the procedures by which a student may receive a copy for review of the institution's accreditation licensure, or approval,
- Special facilities and services available to disabled students,
- The costs of attending the institution and any additional costs of the program in which the student is enrolled or has expressed an interest,
- A statement of the requirements for the return of SFA program funds when a student withdraws from the institution, information about any refund policy with which the institution must comply, and the requirements for officially withdrawing from the institution,
- The degree programs, training and other education offered,
- The availability of a GED program, if the institutions admits students who do not have a high school diploma or equivalent,
- The instructional, laboratory and other physical plant facilities associated with the academic programs,
- A list of the faculty and other instructional personnel,
- The satisfactory progress standards that students must maintain and,
- Who to contact for information on student financial assistance and on general institutional issues,
- The institution's annual campus security report in its entirety,
- The institution's completion or graduation rate, and if applicable, its transfer-out rate, effective July 1, 2000,
- Information about students' right to know under the Family Education Rights and Privacy Act (FERPA),
- Information about athletic program participation rates and financial support, Equity in Athletics Disclosure Act (EADA), effective July 1, 2000,
- Loan counseling general information for Federal Perkins, FFEL or Federal Direct Loan borrower,
- Drug and alcohol abuse prevention information.

The institution must have someone available during normal operating hours to help persons obtain consumer information.

References:

Family Education Right to Privacy Act (FERPA), HEA Section 485(a)
[34 CFR §§ 668.41 – 668.48 Institutional and Financial Assistance Information for Students](#)
Public Law 101-690 and 101-226
[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)
[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 7](#)

4. PROGRAM ELIGIBILITY

GEN 2180

Please refer to Appendix M for a helpful chart on Program Eligibility.

An eligible program is an educational program that meets the requirements of §668.8.

An individual must be enrolled or accepted for enrollment as a regular student in an eligible program in order to receive SFA funds (with two exceptions: preparatory coursework (FFEL and DL) and teacher certification FFEL, DL, CWS, and Perkins)). A regular student is enrolled or accepted for enrollment for the purpose of obtaining a degree or a certificate offered by the institution.

The institution must determine separately for each individual student taking courses that are part of an eligible program if that student is a regular student. The institution must document each student's status in the student's files. The institution is only required to document a student's enrollment in an eligible program at the time of admission. However, it must be able to notify the financial aid office should the student leave the program at any time during the course of enrollment.

The educational program, if offered by an institution of higher education, must be a legally authorized postsecondary program of organized instruction or study that leads to an academic, professional, or vocational degree, or certificate, or other recognized educational credential. However, the Secretary does not consider that an institution provides an educational program if the institution does not provide instruction itself (including a course of independent study), but merely gives credits for one or more of the following: instruction provided by other institutions or schools, examinations provided by agencies or organizations, or other accomplishments such as "life experience".

Program, if offered by proprietary institution of higher education or postsecondary vocational institution, must meet the criteria of at least one category below:

- Provides at least a 15-week instructional time undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. May admit students without an associate degree or equivalent.
- Provides at least a 10-week instructional time program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. Must be a graduate/professional program or must admit only students with an associate degree or equivalent.

- Provides at least a 10-week instructional time undergraduate program of 300-599 clock hours. Must admit at least some students who do not have an associate degree or equivalent and must meet specific qualitative standards. **Note:** These programs are eligible only for FFEL and Direct Loan participation.

Definitions:

- The Secretary considers the “equivalent of an associate degree” to be an associate degree or the successful completion of at least a two-year program that is acceptable for full credit toward a bachelor’s degree and qualifies a student for admission into the third year of a bachelor’s degree program.
- A week is a consecutive seven-day period, and
- For an educational program using a semester, trimester, or quarter system or an education program using clock hours, the Secretary considers a week of instruction to be any week in which at least one day of regularly scheduled instruction, examinations, or study for examinations occurs, or
- For an education program using credit hours but not using a semester, trimester, or quarter system, the Secretary considers a week of instruction to be any week in which at least 12 hours of regularly scheduled instruction, examinations, or study for examination occurs, and
- Instruction does not include periods of orientation, counseling, vacation, homework, or other activity not related to class preparation or examinations.

Recommended Review Procedures

- Confirm with school officials that all programs of study are listed in the catalog, and that they are all approved programs (schools sometimes add new or pilot programs prior to getting approval).
- Ensure the program meets the minimum program length requirements as specified in statute and regulation.
- Verify that English as a Second Language-only courses admit students who already possess work skills.
- Check that off-site laboratory work at a clock-hour school is faculty-supervised.

References:

[34 CFR §§ 668.1-668.4 and 34 CFR §§ 668.8-668.9, Student Assistance General Provisions](#)

[34 CFR § 600.2, Institutional Eligibility](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 1 and Chapter 10](#)

[2001-2002 SFA Handbook, Student Eligibility Section, Chapter 1](#)

Higher Education Act of 1965, Section 481

Dear Colleague Letter, GEN 92-21, October 1992

IRB Memo 93-6, 4/28/93

[Current List of Nationally Recognized Accrediting Agencies, September 1998](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

5. ELIGIBLE SCHOOL/LOCATION

GEN 2170, 2300

Please refer to Appendix M for a helpful chart regarding institutional eligibility.

Three types of postsecondary institutions are eligible to participate in the SFA programs:

- institutions of higher education,
- proprietary institutions of higher education, and
- postsecondary vocational institutions

An institution of higher education is a public or private nonprofit educational institution that:

1. is in a state, or for purposes of the Federal Pell Grant, FSEOG, FWS and Federal TRIO programs may also be located in the Federated States of Micronesia or the Marshall Islands,
2. admits as regular students only persons who
 - have a high school diploma
 - have the recognized equivalent of a high school diploma, or
 - are beyond the age of compulsory school attendance in the state in which the institution is physically located
3. is legally authorized to provide an educational program beyond secondary education in the state in which the institution is physically located.
4. provides an educational program
 - for which it awards an associate, baccalaureate, graduate, or professional degree,
 - that is at least a two academic year program acceptable for full credit toward a baccalaureate degree, or
 - that is at least a one academic year training program that leads to a certificate, degree, or other recognized educational credential and prepares students for gainful employment in a recognized occupation, and
5. is
 - accredited or pre-accredited; or
 - approved by a state agency listed in the Federal Register in accordance with 34 CFR part 603, if the institution is a public postsecondary vocational educational institution that seeks to participate only in Federal assistance programs.

A proprietary institution of higher education is an educational institution that

1. is not a public or private nonprofit educational institution;
2. is in a state;
3. admits as regular students only persons who
 - have a high school diploma;
 - have the recognized equivalent of a high school diploma; or
 - are beyond the age of compulsory school attendance in the state in which the institution is physically located;
4. is legally authorized to provide an educational program beyond secondary education in the state in which the institution is physically located;
5. provides an eligible program of training, as defined in 34 CFR 668.8, to prepare students for gainful employment in a recognized occupation;
6. is accredited;
7. has been in existence for at least two years; and
8. has no more than 90 percent of its revenues derived from title IV, HEA program funds.

A postsecondary vocational institution is a public or private nonprofit educational institution that

1. is in a state;
2. admits as regular students only persons who
 - have a high school diploma;
 - have the recognized equivalent of a high school diploma; or
 - are beyond the age of compulsory school attendance in the state in which the institution is physically located;
3. is legally authorized to provide an educational program beyond secondary education in the state in which the institution is physically located;
4. provides an eligible program of training, as defined in 34 CFR 668.8, to prepare students for gainful employment in a recognized occupation;
5. is
 - accredited or pre-accredited; or
 - approved by a state agency listed in the Federal Register in accordance with 34 CFR part 603, if the institution is a public postsecondary vocational educational institution that seeks to participate only in Federal assistance programs; and
6. has been in existence for at least two years.

An institution is physically located in a state if it has a campus or other instructional site in that state.

The Secretary does not recognize the accreditation or pre-accreditation of an institution unless the institution agrees to submit any dispute involving the final denial, withdrawal, or termination of accreditation to initial arbitration before initiating any other legal action.

The type of institution is defined mainly by how the institution is controlled (public, private for-profit, nonprofit) and by the minimum program length offered by the institution. Proprietary institutions have an additional eligibility requirement called the “90/10” rule.

The “90/10” rule means that no more than 90 percent of a proprietary institution’s revenue from tuition and other charges necessary to educational programs in a fiscal year may be derived from Title IV program funds; at least 10 percent must come from non-Title IV program funds.

- An institution that determines it satisfied the 90/10 rule during its most recently completed fiscal year must have the auditor preparing its audited financial statement report on the accuracy of that determination as a footnote to the audited financial statement.
- Institutions must report to the Department within 90 days of the end of their fiscal year when they do not satisfy this requirement.
- Must use cash basis of accounting.
- Describe treatment of scholarships, tuition waivers and institutional loans.

Conditions of Institutional Eligibility for All Schools

A school does not qualify to participate if, for the latest complete award year,

- more than 25 percent of regular enrolled students were incarcerated (waived for non-profit institutions that provide a 2 or 4 year program for which it awards a BA, AA or a “postsecondary diploma”).
- more than 50 percent of regular enrolled students were ATB students,
- more than 50 percent of the school’s courses were correspondence courses, or
- 50 percent or more of the school’s regular enrolled students were enrolled in correspondence courses.

Certain schools under certain conditions may receive waivers for the above requirements. Check PEPS to see if the school was granted any waivers. If not, determine whether school is eligible for a waiver, and request that the school apply for the appropriate waivers.

Additional Locations

34 CFR 600.20(c)(1) provides if a school meets one of the following conditions, it must apply AND wait to receive our written approval before it can disburse Title IV funds to students at the new location:

- provisionally certified
- is funded under the reimbursement or cash monitoring payment method
- acquired the assets of another location during the preceding year
 - assets can include program, building or lease, students, teachers, equipment, etc.
- the school is subject to loss of eligibility under 34 CFR 668.188
 - avoiding sanctions via change in status:
 - the school is subject to a loss of eligibility that has already been imposed against another institution, if the applicant institution and the ineligible institution are both parties to a transaction that results in a change including:
 - acquisition or merger of Institutions;
 - acquisition of additional location;
 - location becomes main (location to freestanding)
 - if the school offers an educational program at substantially the same address at which the ineligible institution had offered an education program before the change and there is a commonality of ownership or management between the applicant and the ineligible institution.
- ED tells the school it must “apply”
 - examples of when we would tell a school it has to apply and wait for our approval
 - program review revealed severe deficiencies
 - audit report showed severe findings
 - OIG audit found severe deficiencies
 - GA reported significant problems at the school
 - state agency reported significant problems at the school
 - accreditor placed the school on “show cause”.

Under §600.21, most schools will be able to report a new location and then begin disbursing Title IV aid immediately, if:

- it does not meet any of the conditions in §600.20(c)(1)
- the location is licensed & accredited
- the school reported the location on the application
- the school submitted all required supporting documents.

If the institution has other locations offering 50 percent or more of an educational program, those locations must be reported to the Department and be approved by the Department to be eligible. Recommended procedures for additional locations are:

- Make sure that all school locations (main school and any additional locations requiring ED approval) are included on the ECAR.
- Check to see that all licensing and accreditation for each location is current
- Verify that locations that are not included on the ECAR are not teaching 50 percent or more of any programs offered by the institution.

NOTE: If the team finds significant problems with a school, it needs to notify the school immediately, advising the institution that if it opens a new location that offers 50 percent or more of an education program and it wants to give students at the location Title IV funds, it must apply for approval AND wait for written approval from ED for the new location.

Recommended Review Procedures

Examine all appropriate documents to verify the eligibility of the school and all its additional classroom locations. The type of documents will vary, but the school should have documentation from accrediting and licensing bodies that describes the school and its programs of study. Compare the licensing/accrediting documents with the institution's latest ECAR from the Department.

References:

[34 CFR §§ 600.1 through 600.11, Institutional Eligibility](#)

34 CFR § 600.20 Application procedures

34 CFR § 600.21 Updating application information

[34 CFR §§ 600.30 and 600.32, Institutional Eligibility](#)

[34 CFR §§ 603.2 through 603.24, Secretary's Recognition Procedures for State Agencies](#)

HEA, § 102(b) and § 481(a)(3)(A) and (B)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 1, Chapter 10, and Chapter 12](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

6. FISCAL RECORDS/AUDIT TRAIL

FIS 3050,3060

The term “fiscal operations” encompasses a broad range of processes. These include, but are not limited to:

- requesting funds from ED,
- disbursing funds to eligible students and parents,
- keeping accurate and auditable financial records,
- managing cash,
- accounting for funds and financial activities, and
- reporting on these activities.

Managing Title IV programs is an institution-wide responsibility. Institutions organize and manage their fiscal operations differently, depending on the size of the school, administrative structure, staffing, automation, and Federal program participation. However, there are three main functional areas for any school.

The president’s office must ensure that a school

- is financially responsible to administer Title IV programs,
- is administratively capable of administering Title IV programs,
- has a capable individual to administer and coordinate Federal and non-Federal financial aid programs,
- has an adequate number of qualified staff,
- has established clear lines of responsibility among the pertinent school offices,
- maintains effective record-keeping systems for both student records and financial records,
- has an adequate system of checks and balances to ensure separation of award functions from disbursement functions,
- has an independent auditor perform an annual non-federal audit of the school’s Title IV financial operations. (Exception: if a school receives less than \$200,000 in Title IV funds annually in each of the two award years prior to the audit period, ED may authorize it to have audits every two years or every three years, depending on circumstances, if the school submits a letter of credit for 10 percent of all Title IV funds disbursed by the school in the award year preceding the waiver request. In addition, schools that are subject to A-133 and have under \$300,000 in combined funds from all Federal agencies are completely exempt from an annual audit).
- has no criminal or fraudulent activities occur as it manages Federal funds and administers Title IV programs, etc.

The financial aid office must

- determine student's eligibility for financial aid,
- coordinate financial aid activities with those of other school offices in administering financial aid programs,
- maintain school records and student records that document activities of the financial aid office and provide data for reports,
- assist in reporting Pell Grant expenditures,
- manage and report on activities that involve financial aid funds,
- assist in reconciling loan records (for schools that participate in the FDSLPL),
- reconcile student financial aid data provided to the business office to ensure that all payments have been made, refunds have been accounted for and expenditures have been reported
- adhere to the principle of separation of functions
- authorize payment of Title IV funds to student accounts or to students directly
- authorize refunds to students
- authorize refunds to Title IV program
- ensure that the school collects any required repayments
- coordinate submission of the FISAP

The business office must coordinate activities and cooperate with the FAO in:

- processing cancellations and refunds
- obtaining authorization to pay Title IV funds
- submitting accurate and timely reports
- reconciling with the FAO to ensure that all financial aid adjustments have been properly recorded
- maintaining a system of internal controls that includes adequate checks and balances
- ensuring that the functions of authorizing and disbursing Title IV funds remain separate
- maintaining records according to Federal and generally accepted accounting procedures
- maintaining records to ensure a clear audit trail
- requesting and returning Title IV funds
- disbursing funds to eligible students from Title IV program accounts
- maintaining individual student accounts that record changes, credits and amounts due (if the school uses individual student accounts)
- delivering FFEL Program loan proceeds
- collecting Federal Perkins Loans
- establishing and implementing the institution's refund policy
- establishing and monitoring the FWS payroll and timesheets

- processing refunds and credit balances according to institution's refund policy and applicable Federal laws and regulations
- assisting in reporting Title IV expenditures to ED in a timely manner
- reconciling accounts
- reconciling cash between school records and bank statements
- reconciling Federal funds between bank statements and Federally reported balances
- assisting in completing applications and fiscal reports for Federal funds
- maintaining a cash management system to meet disbursement requirements and Federal laws and regulations
- providing general stewardship for Federal funds, including maintaining bank accounts and investments as appropriate
- preparing for and participating in program reviews and audits

Required General Fiscal records

- records of all Title IV program transactions
- bank statements for accounts containing Title IV funds
- student accounts, including institutional charges, cash payments, Title IV payments, cash disbursements, refunds
- general ledger and related subsidiary ledgers that identify each program transaction and separate those transactions from the institution's other financial transactions,
- FWS payroll records,
- records that support data that appear on required reports
- FISAP
- Federal Pell Grant Program Electronic Statements of Account (ESOs)
- ED's Payment Management System cash requests and quarterly or monthly reports,
- Grant Administration and Payment System (GAPS) cash requests,
- reconciliation reports for Title IV programs
- Federal, state and independent audit reports and school responses
- state grant and scholarship award rosters and report, and
- accrediting and licensing agency reports.

Specific fiscal record keeping requirements for each Title IV program are discussed in that program's regulations.

References:

[34 CFR §§ 668.16; 668.24; 668.171; 668.173; 668.175](#), Student Assistance General Provisions

[34 CFR § 674.19](#), Federal Perkins Loan Program

[34 CFR § 675.19](#), Federal Work Study Program

[34 CFR § 676.19](#), Federal Supplemental Educational Opportunity Grant

[34 CFR § 682.610, Federal Family Education Loan Program](#)
[34 CFR § 685.309, William D. Ford Federal Direct Loan Program](#)
[2001-2002 SFA Handbook, Institutional and Program Eligibility Section,](#)
[Chapter 5](#)
[Blue Book](#)
[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

7. EXCESS CASH FIS 3110

The Secretary considers excess cash to be any amount of Title IV program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution received those funds from the Secretary. (There are some exceptions for peak periods, as described in excess cash tolerances, [34 CFR 668.166\(b\).](#))

Payees should reconcile their grant awards on a regular basis and are required to resolve any excess cash balances throughout the year. A payee can resolve an excess cash balance by:

- Returning excess to ED or
- Reallocating drawn funds among grant awards in GAPS to comply with immediate cash needs.

If an institution must return funds to ED, the following procedure is used: funds that are under \$100,000 are returned by check; funds that exceed \$100,000 by FEDWIRE.

If an institution maintains excess cash balances, the Secretary requires the institution to reimburse the Secretary for the costs the Secretary deems to have incurred in making those excess funds available to the institution and may initiate a proceed to fine, limit, suspend or terminate the institution's participation in one or more Title IV programs.

References:

[34 CFR § 668.166, Student Assistance General Provisions
Blue Book](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section,
Chapter 5](#)

IRB Memos 91-22 and 93-7

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

8. GAPS REPORT

FIS 3102

GAPS provides full financial management support services in a single system. Functions supported by GAPS include everything from award authorizations to disbursing funds and to final grant close out.

GAPS is the central repository for payment transactions of schools that receive funds from ED through the Office of the Chief Financial Officer (OCFO). OCFO is the office within ED that administers the system. GAPS controls funds for both Title IV and non-Title IV programs. An institution uses GAPS to request funds for the:

- Federal Pell Grant Program
- Federal SEOG Program
- FWS Program
- Federal Perkins Loan Program
- Federal Direct Loan Program (Option 2 schools only)

GAPS uses the latest in funds-delivery systems and financial management technologies (such as relational databases, Internet technology and Windows environment). Using these technologies allows for such customer-service improvements as easy system access to request funds and request expenditures, user-friendly retrieval of award and payment histories and immediate update and notification of changes in awards, such as authorization changes.

Institutions request Federal funds electronically via GAPS External Access System. The institution then requests funds by program. The screen contains the amount of Title IV funds the institution has available to draw down. Alternatively, institutions can call the GAPS Payee Hotline at 1-888-336-8930 to request funds. Requests made after 2 p.m.(eastern time) are not processed by GAPS until the next business day.

For purposes of this reporting, a grantee is an organizational component that applies for and receives a grant award from ED. For Title IV purposes, the grantee is the FAO. A payee is an organizational component identified by the grantee to request and manage Federal funds on behalf of the grantee. For Title IV purposes, the payee is the business office.

Method of Receiving Funds

Schools can receive funds from ED using Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT) or FEDWIRE.

Payment Methods

- Advance
- Just-in-time (available for Pell & FDL for the first time in AY 99-00)
- Reimbursement
- Cash monitoring

References:

[34 CFR § 668.162, Student Assistance General Provisions](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 5](#)

GAPS Payee Guide

[The Blue Book](#)

<http://gapsweb.ed.gov>

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

[SFA Assessment Worksheet, Assessment F, Reporting and Reconciliation](#)

9. USE OF CASH ADVANCES

FIS 3040, 3170

Funds received by the institution under the Title IV programs are held in trust for intended Title IV aid recipients and the Department.

With co-mingled accounts, verify that the total account balance did not go below the balance of Federal funds present in the account.

Federal Perkins Loan Program

An institution shall deposit the funds it receives under the Federal Perkins Loan program into its Fund. It may use these funds only for:

- making loans to students
- administrative expenses
- capital distributions provided for in Section 466 of the Act
- litigation costs
- other collection costs
- repayment of any short-term, no interest loans made to the Fund by the institution in anticipation of collections or receipt of FCC.

An institution may transfer up to 25 percent of the sum of its initial and supplemental Perkins Loan allocations for an award year to the FWS program or FSEOG program, or to both.

An institution may transfer up to the total of the sum of its initial and supplemental Federal Perkins Loan allocations for an award year to the Work-Colleges program.

An institution shall transfer back to the Federal Perkins Loan program any funds unexpended at the end of the award year that it transferred to the FWS program, the FSEOG program or the Work-Colleges program from the Federal Perkins Loan program.

Federal Work-Study

An institution may use its FWS allocation only for:

- paying the Federal share of FWS wages
- paying administrative expenses
- meeting the cost of a Work-Colleges program
- meeting the cost of a Job Location and Development program

- transferring a portion of its FWS allocation to its FSEOG program. An institution may transfer up to 25 percent of the sum of its initial and supplemental FWS allocations for an award year to its FSEOG program.
- carry forward funds. An institution may carry forward and expend in the next award year up to 10 percent of the sum of its initial and supplemental FWS allocations for the current award year. Before an institution may spend its current year FWS allocation, it shall spend any funds carried forward from the previous year.
- carry back funds. An institution may carry back and expend in the previous award year up to 10 percent of the sum of its initial and supplemental FWS allocations for the current award year.
- carry back funds for summer employment. An institution may carry back and expend in the previous award year any portion of its initial and supplemental FWS allocations for the current award year to pay students wages earned on or after May 1 of the previous award year but prior to the beginning of the current award year.
- community service. For the 2000-2001 award year and subsequent award years, an institution must use at least 7 percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities
- payment for time spent in training and travel for any award year:
 - an institution may pay students for a reasonable amount of time spent for training that is directly related to FWS employment.
 - beginning with the 1999-2000 award year, an institution may pay students for a reasonable amount of time spent for travel that is directly related to employment in community service activities (including tutoring in reading and family literacy activities).

Federal SEOG

An institution may use its FSEOG allocation and reallocation only for:

- making grants to eligible students
- paying administrative expenses
- transferring back funds to FWS. An institution shall transfer back to the FWS any funds unexpended at the end of the award year that it transferred to the FSEOG program from the FWS program.
- carrying forward funds.
 - An institution may carry forward and expend in the next award year up to 10 percent of the sum of its initial and supplemental FSEOG allocations for the current award year.
 - Before an institution may spend its current year FSEOG allocation, it must spend any funds carried forward from the previous year.
- carry back funds:
 - An institution may carry back and expend in the previous award year up to 10 percent of the sum of its initial and supplemental FSEOG allocations to the current award year.

- carry back funds for summer FSEOG:
 - An institution may carry back and expend in the previous award year any portion of its initial and supplemental FSEOG allocations for the current award year to make awards to eligible students for payment periods that begin on or after May 1 of the previous award year, but end prior to the beginning of the current award year.

Disallowed Program Expenditures:

- funds drawn down and not used in accordance with immediate need rules; liability for costs incurred for excess funds
- the institution owes ED with respect to disallowed program expenditures found during an audit or program review. However, the disallowed expenditures are not always a dollar for dollar liability.
- the institution draws down more money than it spends
- the institution draws down funds and disburses them improperly

References:

[34 CFR § 668.16 , Student Assistance General Provisions](#)

[34 CFR §§ 668.161 - 166, Student Assistance General Provisions](#)

[34 CFR §673.7, General Provisions for the Federal Perkins Loan Program, Federal Work-Study Program and FSEOG Program](#)

[34 CFR §§ 674.8\(b\); 674.18, 674.19\(d\), Federal Perkins Loan](#)

[34 CFR § 675.18, Federal Work-Study](#)

[34 CFR § 676.18, FSEOG](#)

[34 CFR § 690.81 Federal Pell Grant](#)

[2001-2002 SFA Handbook, Campus-Based Programs Section](#)

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

10. MATCHES FOR CAMPUS-BASED PROGRAMS

FWS 1090, FPERK 8190, FSEOG 9010

The program participation agreement with the Secretary provides that the institution shall use the funds it receives solely for the purposes specified in 34 CFR parts 674, 675, 676 and the Student Assistance General Provisions regulations, 34 CFR part 668. The agreement specifically provides, among other things, that for:

Federal Perkins Loan Program

The institution shall establish and maintain a Fund and shall deposit into it the following

1. Federal Capital Contribution (FCC) received under this subpart
2. Institutional Capital Contribution (ICC) equal to at least one-third of the FCC
3. ICC equal to the amount of FCC for an institution that has been granted permission by the Secretary to participate in the ELO under the Federal Perkins Loan program

Federal Work-Study Program

The Federal share of FWS compensation paid to a student employed other than by a private for-profit organization, as described in 675.23, may not exceed 75 percent unless the Secretary approves a higher share; however

- The Federal share of the compensation paid to a student may exceed 75 percent, but may not exceed 90 percent if the student is employed at a private nonprofit organization or a Federal, State, or local public agency that:
 - is not a part of, and is not owned, operated, or controlled by, or under common ownership, operation, or control with, the institution;
 - is selected by the institution on an individual case-by-case basis;
 - would otherwise be unable to afford the costs of this employment; and
 - the number of students compensated is not more than 10 percent of the total number of students paid under the FWS Program at the institution
- The Federal share of the compensation paid to a student employed by a private for-profit organization may not exceed 50 percent
- An institution may not use FWS funds to pay a student after he or she has, in addition to other resources, earned \$300 or more over his or her financial need.

The institution may not include the following when determining the Federal share:

- fringe benefits such as paid sick days, paid vacations, or paid holidays
- the employer's share of social security, workers' compensation, retirement, or any other welfare or insurance program that the employer must pay on account of the student employee

If an institution receives more money under an employment agreement from an off-campus employer than the required employer costs, its non-federal share, and any share of administrative costs that the employer agreed to pay, the excess funds must be

- used to reduce the Federal share on a dollar-for dollar basis,
- held in trust for off-campus student employment next year, or
- refunded to the off-campus employer

For each award year, the Secretary authorizes a Federal share of 100 percent of the compensation earned by a student under this part if

- the work performed by the student is for the institution itself, for a Federal, State, or local public agency, or for a private nonprofit organization, and
- the institution in which the student is enrolled
 - is designated as an eligible institution under the Developing Hispanic-Serving Institutions Program 34 CFR 606, the Strengthening Institutions Program, 34 CFR 607, the Strengthening Historically Black Colleges and Universities Program, 34 CFR 608, or the Strengthening Historically Black Graduate Institutions Program, 34 CFR 609, and
 - requests that increased Federal share as part of its regular FWS funding application for that year;
- The student is employed as a reading tutor for preschool age children or children who are in elementary school;
- The student is performing family literacy activities in a family literacy project that provides services to families with preschool age children or children who are in elementary school;
- The student is employed as a mathematics tutor for children who are in elementary school through the ninth grade.

Federal SEOG Program

The Federal share of the FSEOG awards made by an institution may not exceed 75 percent of the amount of FSEOG awards made by that institution.

The Secretary authorizes, for each award year, a Federal share of 100 percent of the FSEOGs awarded to students by an institution that

- is designated as an eligible institution under Developing Hispanic-Serving Institutions Program 34 CFR 606, the Strengthening Institutions Program, 34 CFR 607, the Strengthening Historically Black Colleges and Universities Program, 34 CFR 608; and

- requests that increased Federal share as part of its regular SEOG funding application for that year.

The non-federal share of FSEOG awards must be made from the institution's own resources, which includes:

- institutional grants and scholarships
- tuition or fee waivers
- state scholarships and
- foundation or other charitable organization funds

Recommended Review Procedures

- Verify that the institution has made the proper institutional match from institutional funds at the time the funds were transferred from GAPS.
- Verify the accuracy of the institutional match calculations.
- Verify the entry on the institution's ledger.
- Verify that the match is a debit against the program account.
- Review the institution's written procedures for matching, i.e., does the institution draw down a percentage of the full amount based on the Federal share.

References:

34 CFR § 606, Developing Hispanic-Serving Institutions Program

34 CFR § 607, Strengthening Institutions Program

34 CFR § 608, Strengthening Historically Black Colleges and Universities Program

34 CFR § 609, Strengthening Historically Black Graduate Institutions Program

[34 CFR § 674.8, Federal Perkins Loan Program](#)

[34 CFR § 675.26, Federal Work-Study Program](#)

[34 CFR § 676.21, FSEOG Program](#)

Higher Education Act of 1965 as Amended, §§ 413(c)-FSEOG, 443(b)(5)-FWS, and 463(a)-Perkins

[2001-2002 SFA Handbook, Campus-Based Programs Section](#)

[The Blue Book](#)

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

11. RETURN OF TITLE IV FUNDS

GEN 2350, 2360, 2371, 2372, 2380

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or a period of enrollment in which the recipient began attendance, the institution must determine the amount of SFA program assistance (not including FWS or the non-federal share of FSEOG) that the student earned as of the student's withdrawal date.

Reviewers should check the institution's refund policy to ensure that it includes the following:

- the conditions under which Title IV program funds would be required to be returned and the conditions under which a student would be owed a disbursement of Title IV program funds upon withdrawal of a student
- the requirements for making a post-withdrawal disbursement of Title IV program funds to a student
- a system to determine the withdrawal date for a student who withdraws officially or unofficially
- procedures for the calculation of the amount of Title IV program funds that a student has earned upon withdrawal, including differences in the calculation for clock-hour, credit-hour, non-term, and term programs offered at the institution
- procedures to ensure that credit balances are promptly delivered to students
- guidelines pertaining to the timeframe for the return of Title IV program funds
- guidelines pertaining to the order in which Title IV program funds must be returned

The amount of SFA program assistance that is earned by the student is calculated by:

- determining the percentage of the payment or enrollment period that the student has completed, and
- applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed (and could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

Percentage earned by the student is:

1. equal to the percentage of the payment period or period of enrollment that the student completed as of the student's withdrawal date, if this date occurs on or before completion of 60 percent of the:
 - payment period or period of enrollment for a program that is measured in credit hours; or
 - clock hours scheduled to be completed for the payment period or period of enrollment for a program that is measured in clock hours; or
2. 100 percent if, the student's withdrawal date occurs after completion of 60 percent of the:
 - payment period or period of enrollment for a program that is measured in credit hours, or
 - clock hours scheduled to be completed for the payment period or period of enrollment for a program that is measured in clock hours.

Percentage unearned by the student is calculated by determining the complement of the percentage of Title IV grant or loan assistance earned by the student.

The unearned amount of SFA program assistance to be returned is calculated by subtracting the amount of SFA program assistance earned by the student from the amount of SFA program assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew.

Use of payment period or period of enrollment:

- The treatment of SFA program assistance if a student withdraws must be determined on a payment period basis for a student who attended a standard term-based (semester, trimester, or quarter) educational program.
- The treatment of SFA program assistance if a student withdraws may be determined on either a payment period basis or a period of enrollment basis for a student who attended a non-term based educational program or a nonstandard term-based educational program.
- An institution must consistently use either a payment period or period of enrollment for each of the following categories of students who withdraw from the same non-term based or nonstandard term-based educational program:
 1. Students who have attended an educational program at the institution from the beginning of the payment period or period of enrollment
 2. Students who re-enter the institution during a payment period or period of enrollment
 3. Students who transfer into the institution during a payment period or period of enrollment

Percentage of payment period or period of enrollment completed that is measured in:

Credit hours:

By dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date. For non-standard terms, the institution must use the number of calendar days in the payment period or period of enrollment based upon when the student would have been projected to complete that period at the time of withdrawal.

Clock hours:

By dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours:

- completed in that period as of the student's withdrawal date (excused absences don't count as hours completed); or
- if the clock hours completed in the period are **not** less than 70 percent of the hours that were scheduled to be completed by the student as of the student's withdrawal date, the institution may use scheduled hours in lieu of completed hours to calculate percentage of the period completed.

Exclude:

- scheduled breaks of five or more days
- all days between last day of classes before break and first day classes resume
- days in which the student was on an approved leave of absence

Amount of unearned Title IV aid due from the institution is the lesser of:

Institutional charges x percentage of unearned Title IV aid (% of unearned Title IV aid = 100% Title IV aid disbursed - % of earned Title IV aid) or total amount of unearned Title IV aid to be returned

Initial amount of unearned aid due from the student

Amount of Title IV aid to be returned **minus** the institution's responsibility **equals** the student's responsibility.

Loans are repaid in accordance with the terms of the promissory notes.

Grant repayments are adjusted/reduced to 50 percent of the unearned grant received.

Institution's responsibilities for Grant Overpayments:

- Within 30 calendar days of determining student's withdrawal, the institution must send the student a notice advising that a grant repayment is owed.

- Student retains eligibility for Title IV funds for an initial 45 day period from the date of the notice in order to do one of the following:
 - repay in full
 - make satisfactory repayment arrangement with institution
 - make satisfactory repayment arrangement with ED.
- The institution must report overpayment to NSLDS within 30 calendar days after:
 - student fails to repay overpayment or sign agreement with institution within 45 day period, or
 - student fails to meet terms of agreement signed with institution

An institution must return funds due to the Title IV programs no later than 30 days after it determines that a student has withdrawn.

References:

[34 CFR §§ 668.22 General Provisions](#)

[2001-2002 Student Financial Aid Handbook, Institutional and Program Eligibility Section, Chapter 6](#)

R2T4 Worksheets, <http://ifap.ed.gov>

R2T4 Software, <http://sfadownload.ed.gov>

[SFA Assessment Worksheet, Assessment F, Reporting & Reconciliation](#)

12. STUDENT CREDIT BALANCES

GEN 2385

If an institution credits a student's account with Title IV program funds, it may apply those funds only to the following allowable charges:

- tuition and fees
- board, if the student contracts with the institution for board
- room, if the student contracts with the institution for room

If an institution obtains a student's or parent's written authorization to use Title IV program funds to pay other costs, allowable charges may also include:

- institutional charges that were incurred by the student for educationally-related activities in addition to those not requiring an authorization
- minor prior year charges if these charges are less than \$100 or if the payment of these charges does not, or will not, prevent the student from paying his or her current educational costs.

In general, Title IV program funds are only used to pay for educational expenses a student incurs in the period for which these funds are provided.

An institution may not require a student or parent to authorize the use of Title IV funds to pay for other costs. Students or parents may modify or rescind their written authorization at any time.

An institution may at the student's request, make FWS payments directly to the student's bank account or may credit a student's account at the institution for tuition and fees, room and board and other institutionally provided goods and services.

When an institution disburses Federal Direct Loan funds by crediting a student's account at the institution, it must first credit the student's account with those funds to pay outstanding, current and authorized charges.

When an institution credits a student's account with Federal Perkins Loan funds (whose promissory notes contain provisions effective on July 1, 1996), Federal Direct Loan funds, or FFEL funds received by EFT or master check, it must notify the student or parent 30 calendar days after crediting the student's account of

- the date and amount of the disbursement,
- the borrower's right to cancel all or a portion of the loan, and

- the procedures and time by which the borrower must notify the institution that he or she wishes to cancel all or a portion of the loan.

If the institution sends the notice electronically, it must require the recipient of the notice to confirm receipt of the notice and the institution must maintain a copy of the confirmation.

When an institution applies Title IV funds to a student's account and determines that the amount of the funds exceeds allowable charges the institution assessed the student, the institution must pay the credit balance directly to the student or parent borrower as soon as possible, but no later than the 14-day deadline. The only exception is when the institution has the student's permission to hold credit balances.

An institution must pay a credit balance to a student or notify the student or parent that the check is available on request within 14 days of:

- the date the balance occurs, if it occurs on or after the first day of class of a payment period, (example: first day of class, 01/15; credit balance occurs, 01/28; 14 days from date of credit balance occurs, 02/11), or
- the first day of class of a payment period, if it occurs before the start of class of that payment period, (example: credit balance occurs, 01/11; first day of class, 01/15; 14 days from date of credit balance occurs, 01/29), or
- the date the student rescinds authorization given to the institution to hold Title IV credit balances.

Recommended Review Procedures:

Review the institution's policy and procedures for applying payments to students' accounts, monitoring whether students' disbursements exceed costs, and providing budgetary assistance to students. Some schools don't keep individual student account records. ED does not require them to do so, but the school must have a system for determining when disbursements exceed costs, and promptly delivering the excess funds to the students.

Review records for sampled students to determine if credit balances were held without students' permission. If credit balances are currently being held, check if school has enough funds in operating accounts to make disbursements to students.

References:

[34 CFR § 668.164](#) and [668.165](#), Student Assistance General Provisions
[34 CFR § 690.78 Federal Pell Grant](#)
[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 5](#)

HEA, § 445(c)

[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

[SFA Assessment Worksheet, Assessment F, Reporting & Reconciliation](#)

13. FFEL/DIRECT LOAN DISBURSEMENTS (PAYMENT PERIODS) FFEL 5271

The rules for awarding FFEL and Direct Loans are a little different than for Pell Grants and Campus Based programs. In particular, the definitions of a “loan period” and the disbursements within that period may not always fit the academic year and payment period measurement used for Pell.

Institutions must define the period of enrollment or loan period at the outset, because the length of the loan period will determine the amount and frequency of disbursements. If an institution uses semester, trimester, quarter or nonstandard terms, the loan period must coincide with one or more of its academic terms. Loan periods for institutions that do not use terms are generally based on the length of the program or academic year.

For programs using terms and credit hours, the **minimum** loan period is a single academic term. For example, if a student enrolls in a fall semester to complete his/her requirements for graduation, the institution may certify a loan for that term alone.

For a clock-hour institution or a credit hour institution that does not use terms, the **minimum** period for which the institution may certify a loan is the shortest of the following three periods:

- the academic year as defined by the institution (but not less than 30 weeks of instruction providing 900 clock hours, 24 semester hours, or 36 quarter hours)
 - scheduled academic year (SAY) is a fixed period of time that generally begins and ends at the same time each calendar year. The SAY generally corresponds to the academic year or calendar that is published in the institution’s catalog.
 - borrower-based academic year (BBAY) is **NOT** a fixed period of calendar time. The BBAY’s beginning and end dates depend on an individual student’s enrollment and progress.
 - treatment of summer terms & “crossover periods.” An institution can establish a policy that designates its summer term as either a trailer or header, or it can make different determinations for different educational programs or for each student on a case-by-case basis. However, if a student in a summer session that overlaps two award years also receives campus-based aid, the institution must use the

same EFC (from the same application year) for both the campus-based aid and the FFEL/DL loan.

- An institution must use BBAYs for clock-hour and nonterm credit hour programs. The institution may use either type of academic year for term-based credit hour programs where the academic year provides at least 30 weeks of instruction.
- The length of the student's program at the institution. (A program at a proprietary institution or a postsecondary vocational institution must include at least 10 weeks of instruction providing at least 300 clock hours, 9 semester hours or 12 quarter hours.)
- The remaining portion of the student's program that exceeds the institution's academic year.

The **maximum** loan period is generally the institution's academic year but cannot exceed a 12-month period in an academic year. It is possible, but not typical, to have more than one loan in an academic year. A student who has already received one FFEL or Federal Direct within an academic year may receive additional loan funds if he or she has not yet reached the annual limit.

References:

[34 CFR § 600.2, Institutional Eligibility](#)

[34 CFR §§ 668.2](#) and [668.4](#), Student Assistance General Provisions

[34 CFR § 682.204, FFEL](#)

[34 CFR § 685.203, FDL](#)

[2001-2002 SFA Handbook, FFEL/DL Section, Chapter 3](#)

[SFA Assessment Worksheet, Assessment D, Award Requirements](#)

[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

14. ABILITY-TO-BENEFIT GEN 2002

To be eligible to receive SFA, the HEA requires persons who do not have a high school diploma or its recognized equivalent and are beyond the age of compulsory school attendance to pass, within 12 months before the date the student initially receives SFA program assistance, an independent state test or an independently administered test approved by the Secretary.

Documentation needed to determine if a student qualifies under ATB:

- approved test taken
- date test taken
- score received
- passing score received
- is a copy of the student's scored test on file at the institution

Recommended Review Procedures

Confirm the school's determination that students who do not possess a high school diploma or its equivalent (GED) have demonstrated the ability to benefit (ATB). Review all information about the test used by the school, including the test itself, an answer key, scoring guide, and instructions explaining the procedures for administering the test.

Other recommended review procedures are as follows:

- Ensure that any test used for all Title IV recipients is one of the approved tests listed in the Federal Register.
- Verify that the *complete* approved test was administered; the school cannot use only selected parts of the test.
- Ascertain whether the tester meets the independence criteria in Section 668.51 (review the tester's contract with the school). For degree-granting institutions the independent tester can be another internal office, as long as that office is separate from admissions.
- Confirm whether test meets licensing and accrediting requirements (some agencies approved only certain ATB tests, even before the Department did so).

If students fail the ATB test and then submit documentation of high school graduation or GEDs, reviewers may want to verify the authenticity of that information.

When discussing the process with officials and the tester, determine how the documentation that the student passed the test is maintained. Is there a certification for each student who passed, signed by the tester? Does the test administrator keep a roster of all students tested to be checked against the results noted in students' files? There are no specific measures required by the Department, but there have been some cases where test administrator records showed students failed their ATB tests, but the file documentation showed they passed. Refer to Appendix C for recommended questions to ask regarding the ATB process.

Finally, since students who cannot demonstrate ATB can still be admitted to the institution, verify that the school has a method to identify such students to ensure they do not receive Title IV assistance.

References:

[34 CFR §§ 668.32, 668.141 – 668.156 General Provisions](#)
[2001-2002 SFA Handbook, Student Eligibility Section, Chapter 1](#)
[SFA Assessment Worksheet, Assessment C, Student Eligibility](#)

15. SATISFACTORY ACADEMIC PROGRESS STANDARDS GEN 2390, 2400
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See Appendix G--Satisfactory Academic Progress (SAP) Policy Checklist

SAP is a measure of whether a student is progressing adequately toward completion of his or her course of study. It is determined in terms of grade point average and course completions.

An institution's SAP policy must

- be published and made available to all current students and to prospective students upon request
- be as least as strict as the institution policy for students not receiving SFA program assistance
- provide for consistent application of standards to all students within categories
- provide for a determination of whether a student has met standards at the end of an established increment.

An institution's satisfactory academic progress policy must contain the following components:

- Qualitative measurement
 - must consist of grades, work projects completed, or other factors measurable against a norm
 - institution may establish fixed standard or graduated standards
- Quantitative measurement
 - maximum time frame for completion of the certificate or degree program, not to exceed 150 percent of the published length of the program
 - division of time frame into increments (may not exceed the lesser of one academic year or one-half of the published program length)
 - schedule of work designating a minimum amount of work a student must successfully complete during each increment in order to complete within the maximum time frame.
 - institutions must determine how it will treat the following:
 - periods when a student doesn't receive Title IV aid (must be counted toward maximum time frame)

- probation
- transfer students (how will accepted transfer credits be treated with regard to maximum time frame)
- changes in majors or degrees
- pursuit of a second degree
- summer term(s)
- Specific policies defining the effect of incompletes, course repetitions, withdrawals and noncredit remedial courses
 - Incompletes
 - policy must state how the incomplete grade will affect the measures of quantitative and qualitative progress
 - policy should specify how a grade change will be handled
 - when will progress be re-assessed?
 - how will the aid office be notified of a grade change?
 - Repeated Courses
 - ability to repeat a course may be tied to the grade received for that course
 - schools may limit the number of times a course may be repeated
 - schools may limit the number of courses students may repeat.
Note: If repeated courses are allowed, the policy should clearly state how they will affect the qualitative and quantitative components.
 - Withdrawals
 - courses that a student withdraws from are usually considered in “hours attempted”
 - if a school measures time frame in years or terms, policy must state effect of withdrawals on maximum time frame
 - policy should specify treatment of different types of withdrawals, for example, withdrawn/passing or withdrawn/failing
 - Noncredit remedial courses
 - policy must address whether these courses will count toward maximum time frame and/or GPA) Note: Title IV funds may be received for up to one year of remedial coursework (30 semester or trimester hours, 45 quarter hours or 900 clock hours)
 - credit value must be assigned to noncredit remedial coursework for determining enrollment status
- Specific appeal procedures:
 - does the institution choose to specify in its policy the mitigating circumstances that will be evaluated?
 - does the policy include specific procedures to be followed after an adverse determination for the evaluation of a student’s mitigating circumstances when presented on appeal?

- does the policy detail the student's responsibilities during the probationary period due to mitigating circumstances?
- specific procedures to re-establish eligibility
- does the institution choose to include in its policy a blanket probationary period?
- does the policy detail the student's responsibilities during the probationary period?
- does the policy include specific procedures and minimum requirements for reinstatement of aid after a student's aid has been terminated for lack of satisfactory academic progress?

If a student loses his or her eligibility for failing to satisfy satisfactory progress, the student does not regain that status merely by dropping out and then re-enrolling.

There is no requirement that the incremental period for evaluating satisfactory progress coincide with a payment period.

Programs less than two academic years

Increments may not exceed one-half of published length of the program measured in years, terms, credit hours attempted, clock hours completed or any other appropriate measure. If an increment length equal to one-half published program length does not correspond to grading period or payment period, logic dictates more increments than the regulatory minimum.

Programs longer than two academic years

If a student is enrolled in a program of study more than two academic years, to be eligible for SFA program assistance after the second year, the student must be making satisfactory academic progress.

A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent or has academic standing consistent with the institution's requirements for graduation.

References:

[34 CFR § 668.16 Student Assistance General Provisions](#)

34 CFR § 668.20 Student Assistance General Provisions

[34 CFR § 668.34 Student Assistance General Provisions](#)

[2001-2002 SFA Handbook, Student Eligibility Section, Chapter 1](#)

[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

[SFA Assessment Worksheet, Assessment C, Student Eligibility](#)

16. STUDENT ELIGIBILITY

GEN 2150, 2190, 2200, 2210, 2220, 2221

To be eligible for SFA, a student must be a regular student enrolled or accepted for enrollment, in an eligible program at an eligible institution for the purpose of obtaining a degree or certificate offered by the school. There are two exceptions: preparatory coursework and teacher certification and remedial coursework.

General student eligibility requirements:

- The student must have a valid social security number.
- The student must be a U.S. citizen or eligible noncitizen.
- The student must be a regular student enrolled or accepted for enrollment in an eligible program for the purpose of obtaining a degree or certificate. At schools that admit students who are not seeking a degree or certificate, ensure that the school has procedures to track this so that aid is not awarded to those students. See loan and teacher certification exceptions below.
- The student must meet the academic qualifications for study at the postsecondary level. (Student has a high school diploma or recognized equivalent or is beyond the age of compulsory school attendance, has passed an ability to benefit test, completed an approved state process, or completed secondary school by home schooling approved under or excepted from state regulation.)
- The student has not been convicted of a drug-related offense that affects eligibility for SFA aid.
- The student (if male) must be registered with Selective Service.
- The student must not be enrolled solely in a remedial program.
- The student must be maintaining satisfactory academic progress.
- The student must not be in default and must not owe an overpayment on a Title IV loan or grant (NSLDS history on ISIR or FAT).
- The student must not have borrowed in excess of loan limits (NSLDS history), unless excess amount inadvertently obtained and already repaid.
- The student must not be a member of a religious order.
- If enrolled in a correspondence course, that course must be part of an eligible program.
- The student must have financial need. (Need is not required for unsubsidized and PLUS loans).
- Verification must have been completed, if required.
- Is not enrolled in elementary or secondary school.

- Is not incarcerated (loans) nor incarcerated in a Federal or state penal institution (all programs).

Program specific student eligibility criteria

Federal Pell Grant (690.6 and 690.75)

- Undergraduates only
- May not have a bachelor's or first professional degree, except for students seeking teacher certification at schools not offering undergraduate degrees in education
- Students must have a SAR or ISIR on file with the school
- Less-than-full-time, including less-than-half-time students are eligible

FSEOG (676.9)

- Undergraduates only
- May not have bachelor's or first professional degree
- Must be awarded first to students with exceptional financial need (lowest EFC)
- Priority to students with exceptional financial need who are eligible for Federal Pell Grants

Federal Perkins Loan (674.9)

- Undergraduates
- Graduate students
- Professional students
- Priority to students with exceptional financial need as defined by the school
- Students must be willing to repay their loans
- Must have determination of Federal Pell Grant eligibility
- May not be in medical internship or residency

FWS (675.9)

- Undergraduates
- Graduate students
- Professional students
- Demonstrate need according to Federal need analysis methodology
- Less-than-full-time students are eligible. A reasonable share of a school's allocation of campus-based funds must be awarded to less-than-full-time students and nontraditional students

FSEOG*, Federal Perkins Loan and FWS

- Demonstrate need according to Federal need analysis methodology

- Less-than-full-time students are eligible. A reasonable share of a school's allocation of campus-based funds must be awarded to less-than-full-time students and nontraditional students

Federal Subsidized Loan and Federal Direct Subsidized Loan (682.201, 685.200)

- Undergraduates
- Graduate students
- Professional students
- Students enrolled in courses prerequisite to enrollment in a degree or certificate program
- Students enrolled in a teacher certification program
- Student must be enrolled at least half-time and demonstrate financial need according to the Federal need analysis methodology
- Eligibility for Federal Pell Grants must be determined prior to certifying loan applications and, if eligible, students must apply for Federal Pell Grants

Federal Unsubsidized Loan and Federal Direct Unsubsidized Loan

- Undergraduates
- Graduate students
- Professional students
- Students enrolled in courses prerequisite to enrollment in a degree or certificate program
- Students enrolled in a teacher certification program
- Student must be enrolled at least half-time
- Students do not have to demonstrate financial need
- Student eligibility for Federal Pell Grant and Federal Subsidized or Federal Direct Subsidized must be determined
- Student must apply for Federal Subsidized or Federal Direct Subsidized first (EFA includes subsidized loan amount for which students are eligible)

Federal PLUS Loan and Federal Direct PLUS Loan

- Parents of eligible dependent undergraduate students
- Students for whom parents borrow must be eligible, regular students enrolled at least half-time
- Parents must:
 - Meet same citizenship requirements as an eligible student
 - Not be in default on a SFA loan
 - Not owe an overpayment on a SFA grant or loan
 - Not have an adverse credit history

The ISIR plays a very important role in identifying possible eligibility problems. When reviewing the ISIR, reviewers should look for “C” codes/comments and check the NSLDS section.

References:

[34 CFR § 668.19, Student Assistance General Provisions](#)

[34 CFR §§ 668.32 - 39; 668.130 -139](#), Student Assistance General Provisions

[34 CFR § 674.9, Federal Perkins Loan](#)

[34 CFR § 675.9, FWS](#)

[34 CFR § 676.9, FSEOG](#)

[34 CFR § 682.201, FFEL](#)

[34 CFR § 685.200, FDL](#)

[34 CFR §§ 690.6 and 690.75](#), Federal Pell Grant

[2001-2002 SFA Handbook, Student Eligibility Section, Chapters 1 -5](#)

DCL [GEN-00-12](#) and [GEN-00-18](#)

[SFA Assessment Worksheet, Assessment C, Student Eligibility](#)

17. ATTENDANCE RECORDS

GEN 2050

Complete and accurate attendance records are essential for evaluating students' Title IV eligibility. Although there is no regulation specifically requiring attendance records, institutions must have a system in place to verify student enrollment status, course length, eligibility for subsequent payments, and refund calculations.

Discuss with institutional officials the process for recording the classes or number of hours students attend each day. Is attendance taken periodically during the day, or are there sign-in/sign-out sheets? How is partial attendance recorded, rounded to the nearest hour, half hour, etc.? For externship sites, how are records kept?

Compare attendance records to any other records or reports kept for other agencies, such as JTPA and VA. Test the cumulative attendance list against source records. Check that hours have been properly compiled, including the actual addition for manual systems or the data entry for computerized systems.

Other recommended review procedures are as follows:

- Add up the hours offered to students who have completed the program to verify that the school really offers the total number of hours for which the program is licensed/approved.
- Look closely at attendance records with excessive white out, especially if the student withdrew. Try to contact students to verify information.
- Ask students about absences (especially extended periods) and verify that the attendance records correspond.
- Determine how make-up hours are documented. Some schools do not differentiate between make-up hours spent working on specific coursework, and extra time students may spend at school practicing on their own.
- Look for cases where all students sign in and out at exactly the same time every day. Also, check holiday schedules, doctor's notes and other notations in students' files to confirm deviations in attendance are accurately recorded. Many discrepancies of this kind may signal the attendance records were hastily created after the fact.

Missing or inaccurate attendance records may mean the undocumented classes or hours cannot be counted for purposes of determining students' eligibility.

References:

[34 CFR § 668.24 General Provisions](#)

[34 CFR §§ 674.19 Federal Perkins Loan, 675.19 FWS and 676.19 FSEOG](#)

[34 CFR § 682.610, FFEL](#)

[34 CFR § 685.309, FDL](#)

[34 CFR § 690.82, Federal Pell Grant](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section,](#)

[Chapter 8](#)

[SFA Assessment Worksheet, Assessment E, Reporting and Reconciliation](#)

18. VERIFICATION

GEN 2492

The information to be verified and the specific types of required documentation are listed in Federal Student Financial Aid Handbook, Student Eligibility Section.

Reviewers should ensure that the school has written policies on the following verification issues:

- Deadlines for students to submit documentation and consequences of the failure to meet those deadlines
- Method of notifying students of award changes resulting from verification
- Correction procedures for students
- Means of publicizing requirements and procedures, and
- Standard procedures for referring overpayment cases to the Department.

Additionally, the school must give each applicant a written account of the following information:

- **Documentation requirements.** A clear explanation of the documentation needed to satisfy the verification requirements;
- **Student responsibilities.** An explanation of the student's responsibilities with respect to the verification requirements, including the deadlines for completing any actions required, the consequences of missing such deadlines, and required correction procedures; and
- **Notification methods.** The means by which the school will notify a student if his or her award changes as a result of verification, and the time frame for such notification.

Schools participating in the Quality Assurance (QA) Program are exempt from selected Sections of the General Provisions regulations. QA schools should not be cited for failure to complete verification of a student selected by the processor. A basic premise of the QA Program is to allow schools to design their own verification programs, based on problem areas identified as critical at their schools. All current requirements for disbursement, updating, and deadlines-and the consequences for failing to provide requested documents-still apply to QA schools.

Generally, a school must verify all applications the Central Processing System (CPS) selects for verification; however, the Department doesn't require a school to verify more than 30 percent of its total number of applicants for Federal student assistance. If more than 30 percent of the school's applicants have been selected by the CPS for verification, the school may choose to verify all the

selected applications, but the Department doesn't require it. Instead, the school can choose to stop verifying once 30 percent of its applicants have been verified (applications a school selects and applications with conflicting information don't count toward the 30 percent level). If the total number of selected applications is less than 30 percent of the school's total number of applicants for Federal student aid, the school must verify **all** selected applications.

Many schools have requested interpretation from the Department regarding the definitions of "applicant" and "applicant pool." However the Department does not define these terms. Each school must develop its own definitions and apply them **consistently**.

Other recommended review procedures are as follows:

- Carefully check untaxed income items identified on tax returns (these are often misreported).
- Ensure the verification documentation collected is complete (e.g., all required signatures are present on documents).
- Check that the school identified any revised information on documents collected, and performed any required need analysis.

Reviewers must remember that beginning with the 2001-2002 award year, an asterisk (*) will no longer be printed on the SAR or the SAR acknowledgement next to the EFC of students selected for verification. Instead, information regarding whether the student has been selected for verification will be included within the text message to the student on the SAR acknowledgement. Action Letter #4 (GEN-00-22) published in November 2000, contains additional information regarding the Department's plans for the redesign of the SAR for the 2001-2002 and subsequent years.

Note that some schools may collect verification worksheets, tax returns, etc. for all students, even those not selected for verification. If the school has such documents, it must ensure that the information on those documents is considered. If it is not and the student was not selected for verification, there would not be a verification finding, but there would be a finding for failure to resolve conflicting information.

References:

[34 CFR § 668.51 through 668.61 Student Assistance General Provisions](#)
[2001-2002 SFA Handbook, Application and Verification Guide Section, Chapter 3](#)
[SFA Assessment Worksheet, Assessment C, Student Eligibility](#)
[Action Letter #4 \(GEN-00-22\)](#)

19. PROFESSIONAL JUDGMENT

GEN 2161

Financial Aid Administrators (FAA) may use professional judgment, only on a case-by-case basis, to either increase or decrease one or more of the data elements used to calculate the EFC. The reason must be documented in the student's file, and it must relate to that student's special circumstances that differentiate the individual student from a class of students, (not to conditions that exist for a class of students). Professional judgment (PJ) cannot be retroactively documented or justified.

An FAA can also use professional judgment to adjust the student's cost of attendance. The FAA must resolve any inconsistent or conflicting information shown on the output document before making any adjustments.

Because the purpose of PJ is to allow FAAs to accommodate unusual circumstances, the Department does not provide detailed information on when the FAA may make adjustments. However, effective October 1, 1998, Section 479A contains some examples of special circumstances schools might consider. Examples of special circumstances listed in the law include elementary or secondary school tuition, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, or other changes in the family's income or assets. Use of professional judgment is neither limited to the situations mentioned nor required in those situations.

The law does not allow schools to modify either the formula or the tables used in the EFC calculation; schools can only change the cost of attendance or the values of specific data items used in the calculation of the EFC. In addition, an FAA cannot adjust data elements or the cost of attendance solely because he or she believes the tables and formula are generally not adequate or appropriate. The data elements that are adjusted must relate to the student's special circumstances.

An FAA cannot exercise professional judgment to waive general student eligibility requirements or to circumvent the intent of the law or regulations. The Department specifically prohibits the use of PJ to change FSEOG selection criteria. Nor can the FAA include post-enrollment activity expenses in the student's COA. (For example, professional licensing exam fees are not allowable costs.)

Reviewers should check to ensure that the FAA did not make decisions contrary to the professional judgment provision's intent. These **unreasonable** judgments have included, for example, the reduction of EFCs based on reoccurring costs such as vacation expenses, tithing expenses, and standard living expenses (related to utilities, credit card expenses, children's allowances, and the like). Another example of inappropriate use of professional judgment would be a school changing a student to independent because he or she was not claimed on his or her parents' tax returns with no other circumstances documented. FAAs, to whom the Department grants significant latitude in exercising professional judgment, are required to make **reasonable** decisions that support the intent of the provision. The school is held accountable for all professional judgment decisions made, and each decision must be fully documented.

If an FAA uses professional judgment to adjust a data element, he or she must use the resulting EFC consistently for all Federal student aid awarded to that student.

References:

HEA, § 479A

[2001-2002 SFA Handbook, Application and Verification Guide Section, Chapter 4](#)

[2001-2002 SFA Handbook, Federal Pell Grant Section, Chapter 1](#)

[SFA Assessment Worksheet, Assessment F, Reporting and Reconciliation](#)

20. TIMECARDS FOR FWS STUDENTS

FWS 1041, 1050,

Verify that for each student paid under FWS there is a record showing the number of hours he or she worked each day. The institution is liable for all Federal funds disbursed for the period if a timesheet is not maintained.

Check that timesheets are supported by a certification from the student's supervisor that the student worked and earned the amount paid.

Collect the timesheets for a sample of the payroll periods in the year under review, and cross-reference those with payroll records. If student class schedules are available, compare them to students' work hours to ensure students did not work when they were supposed to be in class.

References:

[34 CFR § 675.19 FWS](#)

[2001-2002 SFA Handbook, Campus-Based Programs Section](#)

[SFA Assessment Worksheet E, Disbursement Requirements](#)

21. FEDERAL PELL GRANT CALCULATIONS/DISBURSEMENTS PELL 4020, 4030, 4040, 4050, 4060 ,4080, 4085, 4090, 4130, 4131, 4140

An institution must determine a student's Federal Pell Grant eligibility, taking into account the student's expected family contribution, enrollment status, budget, and award year/payment period duration.

The 1992 Reauthorization added a minimum duration requirement (30 weeks) to the academic year definition. The specific procedures for the eligibility calculation are provided the 2000-2001 Federal Student Financial Aid Handbook.

Reviewers must verify that the scheduled award and payment amount were properly calculated. Schools may miscalculate these figures for award periods of less than a full academic year.

There are two types of output documents: ISIRs and SARs. An ISIR is a computer-generated electronic record sent to a school by the CPS. The SAR is a paper document sent to the student by the application processor. These output documents (ISIRs and SARs) contain the student's application information, the EFC, and the results of the database matches.

To pay a student a Federal Pell Grant, the school must have appropriate documentation of the student's eligibility. In particular, the school must have a valid output document for the student. A valid output document is one where all of the information used to calculate the EFC is complete and accurate. The school must have received a valid output document containing an eligible nine-month EFC while the student is enrolled and eligible.

Other recommended review procedures are as follows:

- Check award calculations for non-standard payment periods.
- Verify that the proper calculation was performed when the financial aid history from a prior school shows the student received Federal Pell Grant funds at another institution in the same award year.
- Check special consideration issues, especially for incarcerated students and students receiving Workforce Investment Act funding, as discussed in the SFA Handbook.
- Review the elements used in constructing the COAs. The components that are allowed under the cost of attendance are now the same for all Title IV programs. These components can be found in the SFA Handbook.

References:

34 CFR §§ [690.61 – 690.67](#), [690.75](#), and [690.83](#), Federal Pell Grant
[2001-2002 SFA Handbook, Federal Pell Grant Section, Chapters 3-5](#)
[SFA Assessment Worksheet E, Disbursement Requirements](#)

22. DISBURSEMENTS

PELL 4040

Students in non-term (clock or credit hour) programs must complete the payment period for which they have already been paid before they can receive additional Federal Pell Grant disbursements. Some schools schedule payments for the date students are **expected** to reach the midpoint, based on the original class schedule. The school then might make the payment without verifying whether the students actually completed the required hours. The student may then drop out without completing the required number of clock or credit hours, having therefore received an overpayment.

Reviewers should compare the account records with attendance/academic records for all students in the program review sample. Verify whether subsequent disbursements were made only after the students completed the required number of clock or credit hours. For example, a school's academic year is divided into two 450-hour payment periods. The school cannot make the second disbursement until the student has completed the 450th, and started the 451st clock hour.

An institution may consider excused absences when determining the number of clock hours completed. Excused absences refer to missed classes that are not required to be made up, and must be based on the school's documented policy. Excused absences may not exceed 10% of the hours in a payment period (or less, as required by accrediting agency or state agency requirements). Excused absences may not be considered if students must eventually complete all clock hours in their program of study (e.g., cosmetology programs with state requirements for actual hours completed).

A similar determination must be made when students are enrolled in a non-term program measured in credit hours. Where an academic year is defined as 30 credit hours, the second disbursement cannot be made until the completion of at least 15 credit hours. If a student has completed 14 credit hours, and then begins the next segment of the program encompassing 6 credit hours, the payment cannot be made until the student has completed that segment. Please note that this does not apply to FFEL disbursements. For FFEL, a second disbursement may be made after the calendar mid-point, even though the student has not completed the academic work.

For FSEOG and FWS, funds can be credited to students' accounts up to 10 days prior to the beginning of classes for a payment period, as long as the student has

registered for that payment period. If the student never enrolls for the payment period, the funds must be returned to the program.

FSEOG regulations allow the student's entire annual award to be disbursed at one time if the award amount is less than \$501.

References:

34 CFR §§ 668.164, 682.604, 676.16

[34 CFR § 690.62, Federal Pell Grant](#)

[34 CFR § 690.75, Federal Pell Grant](#)

[2001-2002 SFA Handbook, Federal Pell Grant Section, Chapters 2-5](#)

[SFA Assessment Worksheet E, Disbursement Requirements](#)

23. ENROLLMENT STATUS

GEN 2130, FFEL 5100

An institution may award Title IV funds only to eligible students. Verify that student enrollment status was confirmed before Title IV funds were disbursed. In instances where the institution determined eligibility based on the classes in which the student was registered (whether the funds were disbursed before or after classes started), there must be a system in place to verify that the student actually attended all of the classes in which he or she was registered. If the classes the student actually attended would have an effect on the student's eligibility, the institution must adjust the student's award.

Compare disbursement records with attendance records and academic transcripts to confirm students' enrollment status at the time of disbursement.

Check that disbursements have not been made in the following circumstances:

- student not registered for classes.
- FWS payments made to a student for work performed after the student's withdrawal date.
- Federal Pell Grant payments made after a student's last date of attendance (LDA) without a valid ISIR or other official notification of the student's EFC.
- FSEOG and Federal Perkins Loan disbursements made after students LDA (unless the student meets the criteria for late disbursement). Late disbursement criteria can be found in the Financial Aid Handbook, Campus-Based reference.
- FFEL disbursed after LDA without late disbursement approval (late disbursement rules specified at 668.164(g)).

Reviewers should also verify that the correct enrollment status was used in determining a student's eligibility for Federal Pell Grant disbursements before a disbursement is made. Schools are required to ensure that disbursements are based on a correct enrollment status, and therefore must have a system to monitor changes prior to payment (different rules apply if the enrollment status changes after payment has been made).

References:

34 CFR § [668.21](#) and [668.164](#), Student Assistance General Provisions

34 CFR §§ [674.9](#), [Federal Perkins Loan](#), [675.9 FWS](#) and [676.9 FSEOG](#)

34 CFR §§ [682.604](#) and [682.605](#) FFEL

[34 CFR § 690.75 Federal Pell Grant](#)

Higher Education Amendments of 1992, (P.L. 102-325), § 411

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 8](#)

[2001-2002 SFA Handbook, FFEL and Direct Loan Section, Chapter 6](#)

[2001-2002 SFA Handbook, Federal Pell Grant Section, Chapters 2, 4 and 5](#)
[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

24. NEED ANALYSIS

GEN 2222, 2270, 2290

An institution must receive an official Expected Family Contribution (EFC) processed through the CPS to document a student's Title IV eligibility. Reviewers must ensure that the EFC calculation has been processed through the CPS. Although an institution may have software to calculate an EFC using the correct formula, that calculation is not official unless it has been processed through the CPS. Remember, the CPS has data matches with areas that effect a student's eligibility such as citizenship, financial aid history (default, loan limits, overpayments, and other loan problems), correct SSN, and Selective Service requirements.

Errors on a student aid application may occur either because the student entered the wrong information or because there was a data entry error. Generally, the school must have correct data before it can pay the student. In some cases, the school can take the changes into account without sending in a correction or can pay the student without corrections. However, even if the student's application is otherwise accurate, corrections to the SSN must always be submitted for processing through the CPS for data match purposes. Corrections may also have to be processed through the CPS if there were problems with other data matches, such as the citizenship match.

To award aid from the Federal Pell Grant Program, corrections have to be processed through the CPS for recalculation of the EFC (unless the corrections do not effect the Pell Grant amount). For the Federal campus-based and loan programs, the school can recalculate the student's EFC without reprocessing through the CPS. However, if the school's recalculation is incorrect, the school will be liable for any resulting overpayments.

Other recommended review procedures are as follows:

- Confirm EFCs were properly calculated when need analysis data was changed.
- Ensure the correct procedure was used to determine EFCs for other than standard nine-month duration.
- Confirm that there is adequate documentation in file for FAFSA data corrected by school.
- Check a few student files to verify that data matches what is on the paper FAFSA.

If the school entered student FAFSA data through EDE-Initial (formerly stage-zero), the original FAFSA must be on file at school.

References:

HEA, Sections 471 through 480, Part F

[34 CFR § 668.59](#)

[The EFC Formula \(contained in the 2001-2002 SFA Handbook Student Eligibility Section\)](#)

[SFA Assessment Worksheet, Assessment D, Award Requirements](#)

25. FFEL/DIRECT LOANS FOR PROGRAMS LESS THAN ONE YEAR

FFEL 5141

Schools must prorate a student's loan made for a program of study or the final period of a program of study if either is shorter than an academic year. A final period of study is one at the end of which a student will complete a program. At a term-based credit hour school (where the academic year is measured in semesters, trimesters, quarters, or other terms), a final period of study is considered shorter than an academic year if the final period consists of fewer terms than the school's scheduled academic year. At a term-based clock hour school (where the academic year is measured in semesters, trimesters, quarters, or other terms), a final period of study is considered shorter than an academic year if the final period consists of fewer terms than the school's scheduled academic year or fewer clock hours than the minimum statutory requirements for a full academic year. Terms within the same academic year as the student's final term are considered part of the final period of study, even if separated from the final term by a term in which the student is not enrolled.

At a non-term school (where programs are measured only in clock or credit hours), a final period of study is considered less than an academic year if the final period consists of fewer clock or credit hours than the minimum statutory requirements for a full academic year, regardless of length of the school's academic year.

To prorate the loan for a program that exceeds an academic year but has a final period of study less than a full academic year in length, schools must calculate what proportion of a full academic year the final period of study represents. The loan amount is then prorated on that basis.

If a student drops or adds a course after the school has originated a prorated loan, the school may readjust the loan amount but is not required to do so. Of course, a student who drops courses must still be enrolled at least half time to be eligible for any loan amount.

Note: Prior to the enactment of the Higher Education Amendments of 1998, schools used fixed proration that divided the standard full academic year into thirds to determine the fraction of the full annual amount when students were enrolled in a period of study containing fewer weeks, clock hours, or credit hours than the statutory minimum academic year. Effective October 1, 1998, schools must use proportional proration for loans for students enrolled in programs less than an academic year in length.

References:

The Higher Education Amendments of 1992 (P.L. 102-325) § 428

The Higher Education Amendments of 1998

[34 CFR § 682.204, FFEL](#)

[34 CFR § 685.203, FDL](#)

[2001-2002 SFA Handbook, FFEL & Direct Loan Section, Chapter 3](#)

[SFA Assessment Worksheet, Assessment D, Award Requirements](#)

[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

26. FFEL/DIRECT LOAN AMOUNTS FOR GRADE LEVEL FFEL 5220

Verify that the academic level on the FFEL application/Direct Loan origination record corresponds to the school's documented grade-level progression criteria. Some schools incorrectly certify grade levels on the loan application or Direct Loan origination record based on the number of years the student has been present at the institution, without consideration of the grade level progression criteria, or incorrectly report a higher grade level based on past educational experience unrelated to the student's current program.

Compare the academic record/transcript showing the number of credits or hours the student had completed as of beginning of loan period with the loan period reported on the loan application/loan origination record.

Note: For students in the sample that are Federal Direct Loan recipients, reviewers must retrieve the student's loan origination record to obtain the information that is usually collected on an FFEL application; e.g., loan amounts (approved and requested), grade level, loan period, enrollment status, student's dependency status, promissory note status, etc. Reviewers may ask the school to produce screen printouts or electronic copies of the loan origination records for students in the sample and verify the data on the loan origination record.

References:

[34 CFR § 682.603, FFEL](#)

[34 CFR § 685.301, FDL](#)

[2001-2002 SFA Handbook, FFEL & Direct Loan Section, Chapter 3](#)

[SFA Assessment Worksheet E, Disbursement Requirements](#)

27. DIRECT LOAN REPORTING/RECONCILIATION

DL 5510, 5610, 5653

Each month, the Loan Origination Center (LOC) sends a Direct Loan School Account Statement (DLSAS) to the school. This report is generated by the LOC during the first weekend of the month following the reported month (for example, the first weekend in September, the LOC generates a report for August and sends it to the school). The school is required to reconcile the information on the DLSAS report to its internal records on a monthly basis.

- If the school's internal systems match all the totals on the DLSAS cash summary, the reconciliation has been successfully completed.
- If the cash balances do not match, the school must continue with the reconciliation process.
- There may be discrepancies in one or more areas between the DLSAS and the school's records. The initial analysis of the cash summary information should narrow the field for detailed analysis to those areas in which the school has identified discrepancies.
- Each of the three systems - the school's business office system, the school's Direct Loan System, and the LOC - may account for cash receipts, excess cash, and disbursement transactions in different ways. Schools must take this into account when conducting their reconciliation.
- When reconciling the DLSAS cash summary with the school's internal cash records, the school must allow for any timing differences caused by transaction dates that fall close to the beginning or the end of the month.

There are many possible reasons for apparent discrepancies between the school's internal systems and the DLSAS cash and loan detail records. Some examples include:

- timing of drawdowns
- timing of booked loans
- drawdowns allocated to the wrong academic year
- drawdowns split between academic years
- excess cash in the wrong year or disbursed to a student in a different academic year
- unsent/unacknowledged disbursement batches
- disbursements recorded in the school's business office system but not in its Direct Loan System
- excess cash returned that should have been a payment

- a payment sent that should have been excess cash
- school data loss, and
- unbooked records.

In the reconciliation process, cash detail information should generally be compared directly to the school's internal business office records, such as bank statements and canceled checks. Cash reports may be run from the school's Direct Loan System, but the school should use its business office records as the final authority.

Schools may be receiving DLSAS reports for up to three academic years each month. The concurrent reconciliation efforts may result in overlapping cash detail data, such as when a drawdown has been split between award years. Schools should ensure that there is good communication among the staff members responsible for reconciling the different academic years. These multiple-year reconciliation efforts will sometimes reveal global issues at the school that need to be resolved.

A school has completed its monthly reconciliation when:

- All differences between the DLSAS and the school's internal records (Direct Loan System and business office system) have been resolved or documented.
- Timing issues have been identified and will be tracked for reconciliation in the next month's DLSAS.
- Any necessary corrective actions have been taken to ensure that all the prior month's issues will reconcile in the following month.
- All reconciliation efforts have been documented for future reference and review.

Documenting monthly reconciliation efforts is strongly recommended and will be extremely useful to schools as a record that they have met their reconciliation requirement. ED does not regulate specific types of documentation for school reconciliation activities. However, monthly documentation shows that the school has made a good faith effort to reconcile its records to ED's records, according to program requirements. It also provides very useful reference materials for the end-of-year reconciliation and closeout for the academic year. The format of the documentation is not as important as what is documented.

References:

[34 CFR 685.301 \(d\), FDL](#)

[SFA Assessment Worksheet, Assessment B, Fiscal Requirements](#)

[SFA Assessment Worksheet, Assessment F, Reporting & Reconciliation](#)

[Direct Loans School Guide, Chapter 9, Reconciling Direct Loans](#)

28. ITEMS FROM PAST REVIEWS/AUDITS GEN 2241, 2330

Verify that all issues identified in past program reviews and audits have been completely resolved by the institution. Previous reviews may include those conducted by guaranty agencies or state agencies. In cases where prior audits or reviews are still open, confirm that the school is pursuing resolution of the outstanding issues. This involves more than the school taking the necessary action to resolve the specific problems from the reviews/audits. The school should have also taken measures to prevent a reoccurrence of the identified problems.

Repeat findings of a systemic nature usually means that the school either ignored findings and requirements of prior reviews and audits, or did not have the capability to make the required corrections. These types of problems may demonstrate a lack of overall capability to adequately administer the Title IV programs.

If an institution is part of a chain of schools with centralized administration, systemic problems previously identified at other locations may be considered repeat violations if uncovered at the school currently under review.

References:

[34 CFR § 668.174 Past performance](#)

[34 CFR § 668.16, Student Assistance General Provisions](#)

29. FISAP INCOME GRID GEN 2010

Review the FISAP applications to verify the figures reported by the institution for the number of eligible aid applicants enrolled at least half-time during the applicable award year at Part III, Section E. The FISAP uses eligible aid applicant information from the recently completed year to determine whether the institution will receive any "fair share" funding in FSEOG, FWS, and Perkins for the following year. For example, schools filed the FISAP application for the 2000/01 award year in October 1999, using eligible applicant data from the 1998/99 award year.

Careful consideration should be given to the definitions and instructions that accompanied each application concerning "eligible aid applicants" and "application." Please note that students cannot be counted in the income grid figures if they do not have all information needed to perform an approved needs analysis on file with the institution.

Request documentation supporting the dependency status and total family income for all students included on the income grid for eligible aid applicants. Test the supporting documentation to confirm that students from the review sample are correctly reported. Make sure all income used in the need analysis is included. Schools may have omitted parents' untaxed income or all dependent students' income.

Next, test the documentation against what was reported on the income grid itself. Confirm the number of students reported in some of the lower income categories. For example, count the number of dependent students with family incomes between \$6000 and \$8999, and verify that the number matches with what was reported on the grid. If students are incorrectly reported (especially when included in lower income categories than they should be), the student body appears to look needier, and the school might get more fair share funding than appropriate.

Additional points to note:

- Ensure the institution included all changes to students' income and dependency status, including professional judgment.
- Students with prior bachelor degrees are considered graduate students on the grid, even if they are in an undergraduate program.
- Check the figures reported in Section D (tuition and fees, and Pell Grant disbursements) against fiscal records.

- Verify that no-show students have been excluded from the grid (schools that use reports generated by a processor sometimes fail to screen out the no-shows).
- Look over the documentation for cases where students are included twice under different social security numbers.

Please note that errors in the income grid might change an institution's campus-based allocation only if the institution received fair-share funding for the applicable award year.

References:

34 CFR §§ 673.3, 673.4

HEA § 413D (SEOG)

HEA § 442 (CWS)

HEA § 462 (Perkins)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 8](#)

[SFA Assessment, Worksheet F, Reporting & Reconciliation](#)

**30. FEDERAL PERKINS LOAN DUE DILIGENCE
AND PROMISSORY NOTES
PERK 8090, 8140, 8180, 8200, 8210**

See Appendix I -- Perkins/NDSL Due Diligence Checklist.

Reviewers must verify whether an institution is correctly performing due diligence procedures for its Perkins Loan borrowers. Many institutions contract with outside agencies to service their Perkins Loan collection efforts. In these cases, reviewers should review a copy of the contract or other documents that specify the services these agencies perform to verify they cover the regulatory requirements. At a minimum, the institution should be providing the required exit counseling for students who withdraw or graduate.

If school staff perform due diligence procedures themselves, reviewers must discuss the process with school officials to ensure all regulatory requirements are met. Trace some of the students in the review sample who have entered repayment to see actual records and to verify that the process works as designed. The school must be able to document its compliance with all due diligence requirements.

Following are some deficiencies that may be discovered:

- inadequate exit counseling
- inadequate contact with borrower during grace period
- inadequate billing procedures, including late charges
- inadequate address searches, skip-tracing
- inadequate collection procedures/student not reported to credit agencies, and loan not accelerated, and
- improper deferments granted.

Confirm that signed, complete, and valid promissory notes are on file and securely stored for all sampled Federal Perkins Loan recipients. Discuss with appropriate school officials the system for having students sign promissory notes. There should be a control to ensure that no funds are disbursed until a note is signed, and that each disbursement is signed for on the schedule of advances at the time the disbursement is made. Schools may improperly make the disbursement first, and then have the student sign the note. Then, the school may fail to reverse the disbursement if the student withdraws without signing the note, creating ineligible disbursements.

Certified true copies are acceptable in lieu of an original note, if the original has been lost or destroyed; other photocopies are not acceptable.

Reviewers should examine the relationship between the school and any collectors and billing contractors.

- how are payment and activities monitored and reconciled?
- how are payments handled?
- are required bonds in place?

References:

34 CFR §§ [674.16](#), [674.31](#), and 674.33 - 674.50, Federal Perkins Loan
[2001-2002 SFA Handbook, Federal Perkins Loan Section](#)
[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)
Perkins Focus Module

31. COMMISSIONED SALES GEN 2097

Under 34 CFR § 668.14, an institution cannot provide, nor contract with any entity that provides, any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admissions activities or in making decisions regarding the awarding of student financial assistance. This requirement does not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive Federal student assistance. This provision does not apply to giving token gifts to students or alumni for referring students for admission to the institution as long as: the gift is not in the form of money, check or money order; no more than one such gift is given to any student or alumnus, and the gift has a value of not more than \$25.

Reviewers should interview a sales representative to verify compensation policies, and ask what part they play in providing students with information financial aid availability. This should also be discussed with school administrators. Additionally, reviewers should ask students and other school personnel, especially financial aid staff, how financial aid information is provided. Violations reflect on the administrative capability of the institution, and could possibly affect Title IV eligibility.

References:

HEA, § 487(a)(20)

The Higher Education Amendments of 1992 (P.L. 102-325)

[34 CFR § 668.14, Student Assistance General Provisions \(Program Participation Agreement\)](#)

[2001-2002 SFA Handbook, Institutional and Program Eligibility Section, Chapter 2](#)

32. CLOCK/CREDIT HOUR CONVERSION GEN 2112

The clock hour/credit hour requirements affect both program eligibility, and the determination of the amount of SFA program funds a student who is enrolled in the program may receive.

Schools must determine whether an undergraduate program measured in credit hours qualifies as an eligible program in credit hours *for SFA purposes* after using the required conversion formula unless:

- The program is at least two academic years in length and provides an associate, bachelor's, or professional degree (or a degree that the Department has determined to be equivalent to one of these degrees), or
- Each course within the program is acceptable for full credit toward one of these degrees at the school, and the degree requires at least two academic years of study.

Note that the exemption for programs that lead to a degree that is equivalent to an associate, bachelor's or professional degree program of at least two years does not permit a school to ask for a determination that a *nondegree* program is equivalent to a degree program.

Also, public or private nonprofit hospital-based diploma schools of nursing are exempt from using the clock-to-credit hour conversion formula to calculate awards for the SFA programs.

To determine the number of credit hours in a program for SFA purposes, schools must use the appropriate formula.

For a semester or trimester hour program:

$$\frac{\text{Number of clock hours in the credit-hour program}}{30}$$

For a quarter hour program:

$$\frac{\text{Number of clock hours in the credit-hour program}}{20}$$

See § [668.8\(d\)](#) for definitions of vocational educational program.

References:

[34 CFR §§668.8 and 668.9](#), Student Assistance General Provisions
[2001-2002 SFA Handbook, Institutional and Program Eligibility Section,](#)
[Chapter 1](#)
[SFA Assessment Worksheet, Assessment A, Institutional Participation](#)

33. STUDENT STATUS CONFIRMATION REPORT FFEL 5210, 5260

Schools are required to report the status of FFEL/Direct Loan borrowers to the National Student Loan Data System (NSLDS). Institutions will receive Student Status Confirmation Reports (SSCR) from the NSLDS on a cycle that the institution established. A school can schedule up to six reporting cycles per year, but it must complete at least one per term (excluding summer terms) if it is a term-based school, or two per year if it is not. A school has 30 calendar days from the date it receives the SSCR to return it to the NSLDS. All NSLDS reporting is done electronically.

Schools normally have 30 calendar days to report changes in a student's enrollment status. However, if the school has an SSCR scheduled to be processed within 60 days of the change of status, the school can use that method to report the change. If not, the school must do an ad-hoc change of status report using the web interface with the NSLDS.

Reviewers should obtain student status report data from the NSLDS before the site visit portion of a review commences. This data would consist of a list of students for whom a school reported status changes in a given period of time and can be compared to enrollment information that the school has on campus. They can also contact the NSLDS to inquire about the timely and accurate submission of SSCRs. The NSLDS does track this and sends warning letters to schools if they do not submit the reports timely.

On site, reviewers should determine which office at the school is responsible for the SSCRs. If the financial aid office is responsible, verify that there is a system by which that office is provided up-to-date information from the registrar about student status. Many schools use the National Student Clearinghouse as a servicer to complete their SSCRs, but the school is still ultimately responsible for ensuring that the SSCR is completed timely and accurately. If the Clearinghouse or another third party servicer is used, reviewers should examine the process used to submit records to the servicer.

References:

[34 CFR § 682.610](#), FFEL

[2001-2002 SFA Handbook, FFEL & Direct Loan Section, Chapter 7](#)

[DCL, GEN-99-9](#)

[DCL, GEN-96-5](#) and [DCL, GEN-96-17](#)

[SFA Assessment Worksheet, Assessment F, Reporting and Reconciliation SSCR Guide](#)

34. DEFAULT MANAGEMENT (ENTRANCE/EXIT COUNSELING, WITHDRAWAL RATE) FFEL 5040, 5132

Applicable default reduction and prevention measures must be examined at institutions with high cohort default rates (CDRs) during reviews. During the review, the reviewer should examine the following items:

- **High Withdrawal Rate(s)** – Borrowers who do not complete programs of study are at a higher risk of defaulting on loans. Determine if the school has and is implementing measures to reduce high withdrawal rates.
- **Adequate Consumer Information** – Determine if the school has and provides consumer disclosure information to students in accordance with regulatory requirements.
- **Job Placement Rates** – Borrowers who cannot find employment are at a higher risk of defaulting on loans. Determine if the school has and is implementing a job placement program.
- **Entrance and Exit Counseling** – Determine if the school has adequate entrance and exit counseling that provides students with accurate/current information on student responsibilities/rights, repayment options, and deferment options. The following requirements pertain to all loan programs as applicable:

Entrance Counseling: Reviewers must ensure that every school conducts entrance counseling before releasing the first loan proceeds to any first-time borrower. This requirement applies to the FFEL and Direct Loan programs. The counseling must be conducted in person, by audiovisual presentation, or by computer-assisted technology, and a person knowledgeable about SFA program must be available for questions shortly after the counseling session. (685.304(a); 682.604(f)).

The requirements are a little different for Federal Perkins Loans. Before an institution makes its first disbursement to a student, the student must sign the promissory note and the institution must provide the student with certain information (very similar to the entrance requirements for other loan programs). See 674.16 for specific requirements for Federal Perkins Pre-Loan Counseling.

Exit Counseling: Reviewers must also ensure that every school conducts exit counseling shortly before a borrower ceases at-least-half-time study. There are many different means a school can use to conduct this counseling. As of October 1, 1998, a school can conduct exit counseling either in person individually or in groups, or by electronic means. Reviewers must ensure that the school maintains in each borrower's file documentation verifying the school's compliance with the Department's counseling requirements. (685.304(b), 682.604(g), and 674.42)

- NSLDS/SSCR Reports – Determine if the school has adequate systems and controls to report SSCR data timely and accurately.
- Available Resources for Default Reduction and Prevention – This is an institutional responsibility and not restricted to the functions of the financial aid office. Determine if the institution has adequate resources available and committed to this initiative (personnel, administrative, and financial resources).
- Process to Ensure Accuracy of Cohort Default Rates – Schools that are eligible should exercise CDR rate challenge and appeal process options to ensure that the CDRs are accurate. Determine if schools are aware and utilizing these options.
- Approved Default Reduction and Prevention Plan(s) – All new schools and schools undergoing changes of ownership must implement approved default management plans for two years after they become eligible to participate in the Title IV Financial Aid Programs. Determine if the school has an approved plan and that it is implementing the plan.
- Changes in Status – Certain status changes affect the cohort default rates (calculations) and possible Title IV program eligibility. Review for any status changes and determine if
 - changes have been approved by Case Management Team(s), and
 - a CDR calculation has been made by Default Management.
- Sanction/Benefit Requirements – A school's cohort default rate(s) will determine if the school is eligible for sanctions or benefits. Review the school's most recent correspondence from Default Management to ensure compliance with the regulatory requirements.
 - For FFEL/Direct Loans, proceeds must be disbursed in two or more installments, regardless of the amount of the loan or the length of the enrollment period for which the loan is made. No disbursements may

exceed half of the loan amount. **A school with a cohort default rate of less than 10 percent for each of the last three years for which rates have been calculated is allowed to make single disbursements for single-term loans. A school with a cohort default rate of less than five percent for the most recent year is allowed to disburse loans in a single disbursement for students enrolled in a study abroad program at that institution.**

- An FFEL/Direct Loan Borrower who is entering the first year of an undergraduate program - and who has not previously received a Stafford Loan - may not receive the first installment of loan proceeds until 30 calendar days after the first day of the program of study. **However, a school that has a cohort default rate of less than 10 percent for each of the last three years for which rates have been calculated is exempt from the 30-day requirement for first-time, first-year borrowers.**

References:

[34 CFR § 685.304\(a\), 685.304\(b\), FDL](#)

[34 CFR § 682.604\(f\), 682.604\(g\), FFEL](#)

[34 CFR § 674.16, and 674.42, Federal Perkins Loan](#)

[34 CFR § 668.17, Student Assistance General Provisions](#)

[2001-2002 Student Financial Aid Handbook, FFEL & Direct Loan Section, Chapter 5](#)

[2001-2002 Student Financial Aid Handbook, Campus-Based Programs, Federal Perkins Loan Section, Chapters 3 and 7](#)

[SFA Assessment Worksheet, Assessment E, Disbursement Requirements](#)

35. NSLDS SECURITY ISSUES

GEN 2241

Reviewers must ensure that each participating institution has proper security procedures for all users of the National Student Loan Data System (NSLDS). The requirements are very strict. All users must have their own unique user ID and password. NSLDS requirements do not allow users of the system to share user IDs and passwords.

The following information should be considered:

- The user ID and password are for official Department of Education business only.
- The Privacy Act of 1974 (as amended) governs the use of NSLDS data.
- The user ID and password cannot be given to another individual for any reason.
- Users are not allowed to permit another individual to use an on-line session that has been initiated with their own user ID.

Many schools make it a practice to share NSLDS user IDs and passwords. Remember, too much information is included on NSLDS and schools should take these requirements seriously. Although these requirements are based on the Privacy Act, schools who do not follow these requirements show a lack of administrative capability under Title IV regulations.

References:

Privacy Act of 1974, as amended

[34 CFR § 668.16, Student Assistance General Provisions](#)

[SFA Assessment Worksheet, Assessment G, Automation](#)

36. THIRD PARTY SERVICER CONTRACT GEN 2246

Schools are permitted to contract with consultants for assistance in administering the SFA programs. However, the school ultimately is responsible for the use of SFA funds and is accountable if the consultant mismanages the programs.

Section 668.25 of the General Provisions regulations contains requirements for all participating institutions that contract with third-party servicers. As defined by regulation, a third-party servicer is an individual or organization that enters into a contract (written or otherwise) with a school to administer any aspect of the institution's SFA participation. If the school uses such servicers, reviewers should ensure that the contracts contain the required provisions.

Examples of functions that are covered include:

- processing student financial aid applications, performing need analysis, and determining student eligibility or related activities;
- certifying loan applications, servicing loans, or collecting loans;
- processing output documents for payment to students, and receiving, disbursing, or delivering SFA funds;
- conducting required student consumer information services;
- preparing and certifying requests for advance or reimbursement funding, preparing and submitting notices and applications required of eligible and participating schools, or preparing the Fiscal Operations Report and Application to Participate (FISAP); and
- processing enrollment verification for deferment forms or student status confirmation reports.

Examples of functions that are not covered include:

- performing lock-box processing of loan payments,
- performing normal electronic fund transfers (EFTs),
- publishing ability-to-benefit tests,
- performing functions as a Multiple Data Entry Processor (MDE),
- financial and compliance auditing,
- mailing documents prepared by the institution, or warehousing institutional records, and
- providing computer services or software.

A school may only contract with an eligible third-party servicer, as defined by specific regulatory criteria. Although an eligible servicer must meet all these and

other requirements, the school remains liable for any and all SFA-related actions taken by the servicer on its behalf, under the terms of the contract.

In its contract with the institution, the third party servicer must agree to:

- comply with all statutory or regulatory provisions of or applicable to Title IV of the HEA and any special arrangements that apply to the school under the HEA;
- refer to ED's Office of Inspector General for investigation any information indicating there is reasonable cause to believe that the institution might have engaged in fraud or other criminal misconduct in connection with the institution's administration of any Title IV, HEA program or an applicant for Title IV, HEA program assistance might have engaged in fraud or other criminal misconduct in connection with his or her application;
- be jointly and severally liable with the institution to the Secretary for any violation by the servicer of any statutory provision of or applicable to Title IV of the HEA, any regulatory provision prescribed under that statutory authority, and any applicable special arrangement, agreement, or limitation entered into under the authority of statutes applicable to Title IV of the HEA;
- in the case of a third-party servicer that disburses funds (including funds received under the Title IV, HEA programs) or delivers Federal Stafford Loan Program proceeds to a student:
 - confirm the eligibility of the student before making that disbursement or delivering those proceeds;
 - calculate and return any unearned title IV, HEA program funds to the title IV, HEA program accounts and the student's lender, as appropriate;
- if the servicer or institution terminates the contract, or if the servicer stops providing services for the administration of a Title IV, HEA program, goes out of business, or files a petition under the Bankruptcy Code, return to the institution all records and Title IV, HEA funds in the servicer's possession pertaining to the institution's participation in the program or programs for which services are no longer provided.

Schools should already have notified the Department of all existing third-party servicer contracts via the E-app. If a school has not notified the Department, the school is not in compliance with the regulations and must immediately notify the applicable Case Management Team with the following information for each third-party servicer with which the school contracts: name, address, employer identification number, telephone number, fax number, and Internet address.

Reviewers should also remind the school to notify the Department if it enters into a new contract with a third-party servicer; it significantly modifies a contract with an existing third-party servicer; the school or one of its third-party servicers

terminates a contract, or a third-party servicer ceases to provide contracted services, goes out of business, or files for bankruptcy. Notification to the Department must be made within 10 days of the date of the change or action through the E-app process.

References:

[CFR § 668.23 Compliance audits and audited financial statements](#)

[34 CFR § 668.25, Student Assistance General Provisions](#)

[2001-2002 Student Financial Aid Handbook, Institutional and Program Eligibility Section, Chapter 2](#)

[SFA Assessment, Worksheet A, Institutional Participation](#)